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66TH CONGRESS, 2d Session. | SENATE. | REPORT No. 336.

UNITED STATES HOUSING CORPORATION.

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DECEMBER 16 (calendar day, DECEMBER 18), 1919.—Ordered to be printed.

U. S. Congress, Senate

Mr. FERNALD, from the Committee on Public Buildings and Grounds, submitted the following

REPORT

26-21121

[Pursuant to S. Res. 210.]

The Committee on Public Buildings and Grounds who were directed by a Senate resolution of October 11, 1919, to investigate and report to the Senate concerning the costs, construction, and maintenance of public buildings of the Government, their location and the plan of the Government as to their future disposition, have completed their investigation and submit herewith a complete report together with the recommendation of your committee.

Your committee has investigated the cost of public buildings, but in so investigating limited its activities to the affairs of the United States Housing Corporation, which, during the war period, has been the agency most active in the construction of public buildings.

The United States Housing Corporation was created to exercise the powers granted the President by Public No. 149, Sixty-fifth Congress, as amended, and to administer the appropriation of $100,000,000 made therein.

Pursuant to the authority of the foregoing resolution, the committee engaged Mr. George B. Logan, of the firm of Cobbs & Logan, of St. Louis, as its counsel, and Mr. Logan and his assistants began work the latter part of July, 1919.

In the investigation which followed the committee or its counsel or assistants visited five projects of the Housing Corporation; carefully examined all of the official reports of the Housing Corporation; as well as statements submitted to the committee at its request; read voluminously in newspaper and magazine articles and other works on industrial housing; carefully studied the previous testimony of every person who had appeared in relation to this subject before any of the Congressional committees; caused a penny-accurate audit to be made of the original vouchers, receipts, pay rolls, and bills on five large construction projects; examined many of the original books of the Housing Corporation; studied the invitations for bids, grading

of contractors, awarding of contracts, the contracts and specifications on 22 projects; read a vast amount of digested correspondence relative to the initiating of each of these 22 projects; caused its auditors to analyze many financial statements required from the corporation by the committee; studied the detailed appraisals of all real estate purchased, and interviewed the individual members of appraisal committees in three different cities; studied contracts of 51 architects and approximately 60 engineers and town planners, and interviewed informally many other architects, contractors, and subcontractors, as well as occupants of Government houses.

The committee subpœnaed before it at public hearings for exhaustive examination by its counsel the former president, general manager, manager of construction division, manager of operating division, manager of the real estate division, manager of homes registration division, equipment engineers, field auditors and other former employees of the Housing Corporation. Also the present president, vice president, manager real estate division, manager sales division, manager operating division, manager women's hotels, as well as contractors, field clerks, estimators and others.

After four months of such an intensive study, the committee reports the following established propositions:

FINDINGS.

1. The original act provided that houses erected by the Government should be only of a temporary character, except where the interests of the Government would be best subserved by buildings of a permanent character. The Housing Corporation officials consistently made the exception the rule and erected practically all buildings of permanent character. (See discussion on point 1, this report p. 5 to p. 6 inclusive).

2. Speed was the chief aim in emergency housing. Time was of the essence in all contracts. The first single residence was occupied January 1, 1919, at Niles, Ohio 2 months after the armistice; 6 months after the creation of the Housing Corporation; 8 months after the passage of the appropriation act; 11 months after the creation of the Bureau of Transporation and Housing in the Department of Labor. (See discussion on point 2, this report p. 6 to p. 7 inclusive.)

3. Emergency war housing was construed to include electric door openers, recreation parks, hot-water heating systems in Virginia, and the furnishing of tenants with kitchen ranges, kitchen cabinets, patent slate wash tubs, and patent clothes dryers ready equipped with ropes.

Garages were built at Government expense at Vallejo, Calif., as an adjunct to the housing and were planned for at Erie, Pa., and Seven Pines, Va., and other projects (See discussion on point 3, this report p. 7 to p. 9 inclusive.)

4. The specifications of house and surroundings required a joint agreement of the architect, the engineer and the town planner and undoubtedly is responsible beyond other reasons for the failure to deliver completed housing. Conferences between members of this triangular force resulted in frequent changes, alterations, and delays. The street plan of one project was redrafted seven times to obtain the correct curve of street and "orientation" of blocks. (See discussion on point 4, this report p. 10.)

5. Single residences in Bridgeport, Conn., cost $7,263 each. The average for all houses was $5,673.78. (See discussion on point 5, this report, p. 10 to p. 11, inclusive.)

6. The direction of Congress to use the office of the Supervising Architect of the Treasury Department was ignored. This cost the Government at least $200,000. (See discussion on point 6, this report, p. 11 to p. 14, inclusive.)

7. Fifteen out of 51 architects employed by the Housing Corporation were from New York City. New York architects were employed for work in Norfolk, Va. New York architects were employed for work in Erie, Pa. New Orleans architects were employed for work in Charleston, S. C. A town planner from Brookline, Mass., was employed to design the project at Vallejo, Calif. The Government paid all traveling and incidental expenses.

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8. The prohibition against cost-plus percentage contracts contained in the appropriation act was ignored in architects' contracts. The architects were paid actual drafting expenses plus 100 per cent for "overhead." For each additional dollar spent in drafting expense the architects received an additional dollar for "overhead." Over $202,000 was paid architects under this provision. It opened the way to slowness of execution and to excessive and exorbitant rates. The committee does not charge the architect with so doing, but the method of payment was a violation of the language of the appropriating act. Civil suit should be brought against the architects to recover these sums, less, of course, the actual overhead. The committee believes that more than $50,000 can be recovered for the Government in this manner. (See discussion on point 8, this report, p. 14 to p. 15, inclusive.)

9. One architect who had many Government projects earned more than twice as much during his war service than his usual earning capacity, and also earned many thousands more than reported in his income-tax returns. This fact was discovered by the committee's investigator, and upon being communicated to the architect a corrected income-tax return was immediately made on which the Government, for the years 1917 and 1918, will receive an additional tax of $6,484.98. (See discussion on point 9, this report, p. 15

10. Bids were never publicly opened. No one whose bid had been rejected knew what the proposal of the successful bidder was. Nor was the successful bidder held to a compliance with the important estimates upon which the contract was awarded. (See discussion on point 10, this report, p. 16 to p. 19, inclusive.)

11. One of the general contractors of the Housing Corporation made a secret profit of $16,028.20 in subletting teaming and trucking on the women's dormitories in Washington. This profit was contrary to the letter of written proposal, contrary to the spirit of the contract, and entirely subversive of the fiduciary relationship of agency between the contractor and the Government. It was unjustifiable and can be recovered by civil suit. Officials permitted this profit to be continued after discovery. (See discussion of point 11, this report, p. 19 to p. 21, inclusive.)

12. The Housing Corporation has paid out hundreds of thousands of dollars for construction "extras." Many of these extras are called for in the contract and were not entitled to extra payment. Many of them were allowed in excess of the detailed figures of the Housing Corporation estimating division, which figures, the committee finds, were in many instances effaced from the record when the larger sums were allowed. Many of these extras were "O. K'd." by the estimators but the figures are no longer in existence. On the women's dormitories in Washington alone, in the judgment of the committee, more than $30,000 was paid to the subcontractors which should not have been paid. The making of these payments indicates a willingness to substitute the contractor's demands for the estimating division's judgment. This sum should be recovered by civil suit. (See discussion of point 12, this report, p. 22 to p. 24, inclusive.)

13. The Housing Corporation made a loan of $500,000 to the Springfield Consolidated Water Co., of Philadelphia, upon the recommendation of the chief engineer of the Housing Corporation who had twice been a paid expert witness for the water company. This fact, the president of the Housing Corporation originally testified, was unknown to him, and would have affected his judgment had he known it, but correspondence between the water company and the president indicated that he did know.

Not only was the loan unjustifiable under the point of financial security offered, but although expressly made for the purpose of financing future improvements the Housing Corporation reimbursed the water company out of the proceeds of this loan for $54,522 of old bills of the water company, which had accrued and which had been paid by the water company prior to the date of the loan. This amount should be repaid at once to the United States. (See discussion of point 13, this report, p. 25 to p. 27, inclusive.)

14. A failure to promptly cease building operations on the signing of the armistice proved either a desire to complete its "town beautiful" experiments or to be helpful, at Government expense, to the local communities involved. The Crane tract at Bridgeport was one-half of 1 per cent completed on November 6, 1918, yet it was completed by the Housing Corporation at a cost of $1,371,839.90. Ninety-two of these houses were still vacant in September, 1919. The Philadelphia project was only 6 per cent completed on the date of the signing of the armistice, but was finished by the Housing Corporation at a cost of $3,406,000. These two transactions cost the Government not less than $1,450,000. (See discussion of point 14, this report, p. 27 to p. 28, inclusive.)

15. The women's dormitories in Washington are self-supporting not accounting, however, for any interest on the Government's investment or depreciation in value

of Government property or proper maintenance of the original equipment. The operation of the women's hotels in Washington by the Government is in effect giving the young women fortunate enough to be housed therein an advantage of at least $5.50 a month each, which is a sum which would be necessary to properly cover interest and depreciation on the estimated present value, computing the buildings at 25 per cent and the furniture at 50 per cent of their respective cost. (See discussion of point 15, this report, p. 29 to p. 31, inclusive.)

16. A serious shortage has occurred already in the inventory of nonexpendable property at these dormitories. Personal culpability can not be fixed by the committee as no receipt was required of any individual for furniture and other similar articles delivered to these buildings. The present apparent shortage is approximately $11,968.68. The futile inefficiency of the system which would permit of $375,000 worth of furniture to be handled without any personal responsibility is too obvious to need further comment. (See discussion of point 16, this report, p. 31.)

17. Certain officials in the Housing Corporation have in the past made material misstatements in their official reports to Congress and in their testimony before the congressional committees. These are set forth in detail hereafter. (See discussion of point 17, this report, p. 31 to p. 38, inclusive.)

18. The attitude of the present officials of the Housing Corporation toward the investigation was not helpful. Although outwardly expressing a desire to give the committee all assistance, the committee and its investigators were frequently confronted with obstacles in their work. As one of the officials in the Housing Corporation stated, they were careful to give the committee just exactly what it asked for and no more, to prevent the committee from gaining "new leads."

The officials of the Housing Corporation now in office are not responsible for the policies of the Housing Corporation heretofore criticized. Had they been less committed to the theory that their predecessors were infallible their present efforts to wind up the affairs of the corporation would be more appreciated. Those who created the policies of the Housing Corporation left its organization shortly after the armistice. (See discussion of point 18, this report, p. 38 to p. 39, inclusive.)

19. The fiscal records of the Housing Corporation are in a serious state. Exact statements can not be obtained. The "balance sheet" is at least 60 days behind. Many assets and liabilities have never been shown on the books. (See discussion of point 19, this report, p. 39 to p. 41, inclusive.)

20. The program of the Housing Corporation was vast in its extent. The Government, if the armistice had not intervened, would undoubtedly have been committed to a tremendous liability far beyond its original appropriation.

The officials of the corporation deny their intention to let contracts beyond the limit of appropriation. However, their "program" on sites already planned contemplated housing 21,005 families, which at an average cost of $5,673.78 would alone have cost $119,177,748.90. They planned also accommodations for 11,132 single women and 12,865 single men. Based on the housing cost in Washington of $1,542.50 each for women and $685.95 each for men would have involved a further expenditure of $25,995,856.75, making a total of $145,173,605.65. (See discussion on point 20, this report, p. 41 to p. 42, inclusive.)

21. Real estate men employed as "negotiators" in the purchase of real estate and whose work has been described as "patriotic" received compensation at the rate of $50 per day and expenses. (See discussion on point 21, this report, p. 42.)

22. Not all of the activities of the Housing Corporation were inefficiently conducted. Certain divisions were very capably handled. We mention these particularly in the body of our report. (See discussion on point 22, this report, p. 43 to p. 44, inclusive.)

ABBREVIATIONS TO REFERENCES.

This tr.=Transcript of testimony taken by this committee August, 1919, to December, 1919, inclusive, under Senate resolution 210, in three volumes.

Sen. tr.=Transcript of testimony taken by Senate Committee on Public Buildings and Grounds in December, 1918, under Senate resolution 371.

H. tr.=Transcript of testimony taken by House Committee on Public Buildings and Grounds in January, 1919, bearing on Senate resolution 194.

Rules Com.=Transcript of testimony taken by House Committee on Rules January 19, 1919.

Rept. Dec. 3, 1918=Report of United States Housing Corporation dated December 3, 1918.

Rept. May 19, 1919=Report of United States Housing Corporation dated May 19, 1919, submitted in one volume only to the President by the Secretary of Labor under date of June 12, 1919.
Rept. June 21, 1919=Volume II of the Final Report of the United States Housing Corporation, issued in advance of Volume I.

EVIDENCE AND DISCUSSION.

The Senators are entitled to have the evidence upon which the foregoing conclusions have been reached, and this evidence is hereafter briefly summarized. It consists chiefly of the testimony heard by this committee, taking into consideration the attitude and in some cases the bias of witnesses; the official reports of the United States Housing Corporation dated December 3, 1918, May 19, 1919, and June 21, 1919; the testimony taken before the United States Senate Committee on Public Buildings and Grounds in December, 1918, under resolution 371; the testimony taken before the House Committee on Public Buildings and Grounds in January, 1919, on Senate resolution 194; and upon certain permanent records of the United States Housing Corporation and certain signed published articles of former officials of the Housing Corporation.

I.

HOUSES PERMANENT.

The chief evidence for the first conclusions consists of the houses themselves. There is no question but that the houses are permanent.

Table 1, volume 2, page No. 393 of the Report of the United States Housing Corporation, June 21, 1919, gives the details of the houses erected. Of 6,148 families housed, 4,884 were in permanent houses, 989 in permanent apartment buildings, 627 in "ready-cut" houses, and 197 in dormitories. In addition, 350 single men were housed in a permanent brick hotel at Bremerton, Wash.

The committee calls particular attention of the Senators to the "ready-cut" houses. These houses were fully sufficient for the purpose contemplated by the appropriation. The Housing Corporation contracted for 500 of these at $1,919 each and, according to a letter of the president of the Housing Corporation, some were erected at Norfolk, Va., and some at Pompton Lakes, N. J. According to Table 1, volume 2, referred to above, some were erected at Tullytown, but none at Norfolk and none at Pompton Lakes. Whatever this inaccuracy may mean, the committee feels that more of them should have been used. They may have little salvage value, but their cost was one-third the cost of similar sized constructed residences, and the period of construction would have been infinitely shorter. Not only would the Government investment and resultant loss have been much less, but the large numbers of skilled mechanics employed in the finishing of the more permanent houses might have been quickly released for other war purposes.

The Ordnance Department erected satisfactory housing for $1,352.92 per family at Penniman, Va., and for $1,980 per family at Nashville, Tenn. (Ordnance Department exhibit, pp. 604–608 this tr.), and if some such good judgment had been shown by the Housing Corporation and some recognition given to the purpose of

the act and the desires of the legislative branch of the Government, the expenditure would have been infinitely less and the tangible result greater.

With further reference to the permanence of plan, the committee hopes that the Senators and the public will take time to read carefully the detailed instructions given by the Housing Corporation to its "town planners" and the "committee on design." (See pp. 699–710 this tr.) It will be seen how far-reaching these visions were and how greatly they overshot the objective, which lay under their very noses—to wit, to win the war.

II.

LACK OF RESULTS.

The committee worded this finding in the manner in which it appears because of the marked frequency that the word "speed" is found in the record.

All of the witnesses, who were officials or former officials of the Housing Corporation, testified to their herculean efforts to provide housing rapidly, quickly, speedily, expeditiously, and in an emergency rush. Yet months were spent in "investigation," in obtaining "reports," in "selecting sites," and in deciding the proportion of group houses to double houses and to single houses. The "progress" of these preliminary affairs is not set out in testimony of witnesses, but is found in the project books which are part of the permanent record of the Housing Corporation. The project books contain chronological digests of all correspondence pertaining to each project, and even the most casual examination of these books shows that months elapsed between the institution of the investigation and the actual letting of the contracts.

It must not be thought that all of the delay was in the preconstruction period. The construction work itself was inordinately slow. Clauses emphasizing the element of time prominently appeared in all of the contracts; however, the committee has yet to be apprised of any contractor, working under one of the famous cost-plus-fixed-fee contracts, who finished his work on time. The G. A. Fuller Co., who erected the women's dormitories in Washington City, were to have completed same within three and one-half months from August 2, 1918, which would have been approximately November 17, 1918. These buildings were not completed until June, 1919. This one project is singled out for honorable mention because the committee has had opportunity, since its beginning, for personal observation. The officers of the Housing Corporation, when they discovered that this particular contractor was making a profit on the subletting of teaming and trucking, raised some objection but did not go so far as to force the cancellation of the contract because, as the president of the Housing Corporation explained, "he was so glad that the Fuller Co. had the contract, because of their efficiency" (see p. 551, this tr.).

This same contractor had undoubtedly done excellent work in Washington for other governmental departments. It was either that the system in use by the Housing Corporation permitted a contractor to delay and be inefficient, if that was his natural bent, or forced an efficient contractor's organization to become an inefficient one. In either event, the story of all other contracts reads just as

this one, though perhaps the delay was in no other case so marked, and thus we must assume that the contractors must be absolved of all blame for slowness, and the Housing Corporation must assume this blame, for in no case is there any record of a penalty being enforced for the failure to complete the contract in the specified time.

This obstruction of the work of an efficient contractor is most flagrantly shown at the Bethlehem contract, where more than $2,300,000 was expended without the production of a single completed residence. This contract was let to Whitney & Co. of New York City, on August 15, 1918, and a railroad switch and siding was to be provided by the Housing Corporation by September 1, 1918. This siding was in fact not furnished until October 31, 1918. Prior to that it had been agreed between the contractor and the Housing Corporation that the work on permanent housing could not be started until the siding was furnished. (Project book Bethlehem, agreement Sept. 18.)

There were so many representatives of the Housing Corporation on the projects reporting to various different officials of the Housing Corporation and under conflicting orders of instruction, that it was necessary for the contractors from time to time to appeal to the Housing Corporation for instructions as to which of the representatives should be recognized. (See correspondence, contract, division cost engineers, reports.)

The dates on which the first houses were occupied are found in Howe's Exhibit. (See p. 368, this tr.)

III.

UNNECESSARY EXCELLENCE.

On this point the evidence was strangely inconsistent. Bluntly confronted with the statement of counsel that the houses were all too "fancy," Mr. Burt L. Fenner, former general manager of the Housing Corporation, denied it and asserted that the houses were no better than the average industrial development, although he admitted that they might be better than ordinary houses built in the last decade (p. 297, this tr.). Counsel went after this same information on an entirely different tack, in questioning Mr. Howe, manager of the operating division of the Housing Corporation. It was suggested to him that the house rentals were too high. Mr. Howe promptly countered by saying, "There are no houses comparable with these." An examination of Mr. Howe's testimony in full shows it to be his firm belief that the houses of the Housing Corporation were better than any of the houses in any of the communities in which they were located which were at that time being devoted to the use of skilled mechanics and others of like housing requirements. (see p. 352, this tr.).

In substantiating proof of the charge that the officials of the Housing Corporation were engaged in making a demonstration of model housing rather than solving an emergency war problem, we quote from the booklet issued by the Housing Corporation in a campaign now being carried on for the sale of Government houses in Bridgeport.

MILL GREEN—ITS PLAN AND PURPOSE, AND ITS IMPORTANCE IN A NEW ERA OF HOME BUILDING.

Mill Green as it appears to-day is first of all a solution by the United States Government of the problem of housing the tremendous influx of people who have come to Bridgeport during the past few years; and secondly, it is the realization of a desire to establish here *ideal housing conditions* which would be a matter of pride to the people of this city and in future years would be *copied all over the world.*

To this end the Government called to its aid the leading experts of the country—architects, engineers, builders, and landscape gardeners—and these men have given most serious thought and study to the subject. The result of their united efforts is now manifest at Mill Green—a garden spot of ideal homes—substantial, sanitary, and attractive—in a setting of beautiful trees and shrubs, where in future years factory workers may live happily and in model surroundings.

The carrying out of such a tremendous project would be out of the question for any one except the Government. And Bridgeport is fortunate, indeed, in that the best effort of the best talent of the country, freely and patriotically devoted to the cause of the war, have here been crystallized into permanent homes—a model housing condition which people come from all over the country to see and admire.

GRASMERE—A RARE EXAMPLE OF GOOD HOUSING AND DELIGHTFUL ENVIRONMENT NOW OFFERED TO HOME SEEKERS AT LESS THAN COST OF CONSTRUCTION.

Grasmere represents the best efforts of the United States Government to create housing conditions of a superior type, where home seekers would find everything that moderate means can demand, where they would be assured of pleasant, sanitary homes with sufficient privacy to meet all of their desires, and in which they would ultimately find a house-purchase plan within the means of the average income.

In all Government housing projects this has been the aim and purpose. Nowhere has the effort been crowned with greater success than in Grasmere.

One has only to visit a project or to look over the beautifully engraved volume No. 2 of the United States Housing Corporation report of June 21, 1919, to realize the truth of this condition. Some of the houses are doll-like in size and frequently very impracticable in design, but that they are excellent in specifications, and that they are beautiful beyond words can not be denied. In viewing these houses, the question constantly recurred to the minds of the committee, "Was there no one in the Housing Corporation who could forget the 'perfect house' and remember that we were engaged in war?"

The committee finds that the garage building was a shock to both the president of the Housing Corporation, Mr. Eidlitz, and to Mr. Fenner, the general manager. Neither of them knew of it. (See pp. 295, 533, this tr.)

Garages were planned at several projects (pp. 533–535, this tr.). The instructions to town planners referred to the manner in which garages should be accommodated, where provided. (See p. 702, this tr.) However, no garages were built until after the armistice, when 57 were built at Vallejo, Calif. They were just as much out of place after the war as during it. As a matter of law, the emergency being over, there was no authority remaining vested in the Housing Corporation, except the authority to complete existing contracts. They were a wholly unauthorized expenditure. The officials who were responsible for them attempted to justify them on the grounds that the rentals received have been profitable and that it was a "good investment." (See p. 617, this tr.) This same justification might just as well apply to the erection of a scenic railway or the sinking of an oil well.

For the other items mentioned the committee has as the authority the houses themselves, which have been visited, and the specifica-

tions, which have been examined. In this connection the position of the committee might be broadly explained. We do not pretend to be experts in industrial housing. We do not know the "advanced thought" on that subject. We have seen and been in many homes occupied in comfort by mechanics and other advanced laboring men of our acquaintance, and we know that the houses erected by the United States Housing Corporation are better and finer than any of those that we have ever visited. They may not be as fine as some others that do exist and which we have not seen.

But our own understanding of the purpose of the appropriation is that it was solely for winning the war. Congress certainly did not intend, whatever may have been the intention of the Housing Corporation, to enter into competition in architectural poetry with any other nation or private organization. We were neither competing nor demonstrating. (See p. 298, this tr.) We were just plainly housing. Housing did not call for better houses, or even "just as good" houses, but merely called for houses that would be sufficient. True, they must last during the war, but this was also required of cantonments. No one in the Army complained of the lack of tile bathrooms, or in the Navy of the lack of individual sleeping compartments, on the theory that the war might be long.

The theory of the Housing Corporation seems to have been based on the psychology that the better the laboring man or mechanic was housed the better satisfied he would be to continue his efforts to win the war. We do not believe that this was necessary for the loyal mechanics who were to be housed. They would not have complained of the color of the houses, or of the curve of the dormer windows, or of the "orientation" of the blocks, just so long as the houses provided a reasonably comfortable shelter for themselves and their families, until the war was over.

The last argument in favor of these items of gratuitous expenditures is that they added value to the houses "many times their own cost." If that is true, then something was strangely awry with the houses themselves. Davenport, Iowa, a fully completed project and described as being one of the very best, has just been sold for just about one-half of its cost.

Is the committee to assume but for the gewgaws of architecture, town planning, and town planting, that these houses would have been worth but one-third of their cost, or some other percentage less than half? If that assumption is true, something is radically wrong. Something was radically wrong and the committee knows what it is. The "model idea" so permeated the whole organization of the United States Housing Corporation, from cost engineers and their new and perfect system of penny catching, to the pioneers of plumbing, which caused untold delay, that everything in the way of planning, constructing, and supervising was done on the scale of the Field of the Cloth of Gold. These things may have added value, but if so it was value that could not have been cashed in the open market. It was value beyond the accustomed purchase power of the persons for whom the houses were intended. The prices being received for the houses now are the prices ordinarily paid for houses by the very mechanics who occupy them. The price could not be enhanced unless they were built for, intended for, and sold to people of much larger earning capacity.

IV.

DELAY IN COMMITTEE ON DESIGNS.

This proposition would be self-evident to any real business man. Committees can not work as efficiently as individuals. Where no one is designated as the authoritative head, and where three must agree, delay is the inevitable result. Even if harmony prevailed continuously, the very presence of the three designers, with their multifarious suggestions, must add to the accumulation of the delay.

It is sufficient, perhaps, to refer specifically to the Crane Tract at Bridgeport, Conn., where seven town plans were drawn and considered before the final one was adopted. The authority for this statement is the magazine contribution by Arthur Shurtleff, the town planner for that project, the article being "The development of a street plan," appearing in Landscape Architecture for January 1919. For fear the Senators will not have time to read this article, we quote from page 67 of that issue:

> It is interesting to review the evolution of a plan from its first conception, through the doldrums and reversions which beset its middle course, to the perfection which it finally attains by progress through many revisions. A retrospect of this kind is especially interesting when many minds have taken part in a design which has gone forward to actual construction.
>
> The accompanying sketches outline some of the stages in the development of one of the Government housing projects now under construction at Bridgeport, Conn., which was studied by a group of three designers delegated by the United States Housing Corporation and working in conjunction with the officials of that corporation at Washington, to whom sketches and plans were submitted many times for comment and approval before the scheme was finally adopted and put under contract. In all, upward of a dozen authorities on architecture, town planning, engineering, management, and operating contributed to the plan. In the judgment of the author of this article, who was town planner on the committee of three, the desirable results which were finally secured could not have been attained without this cooperation.

At Bethlehem, Pa., the committee of designs was appointed April 12, 1918. The contract was not let until four months later, August 15, 1918, and the final specifications of the committee on designs were not completed until October 2, 1918. (Bethlehem Project Book, p. 6, history of project.) This, in itself, would be sufficient explanation of the Bethlehem fiasco, were not other shortcomings of the Housing Corporation, previously referred to, amply in evidence.

V.

AVERAGE COST OF HOUSES.

The committee has the cost per house only on those projects where appraisals have been made, for only on those projects have the total expenses been segregated to a per house basis.

These figures have been softened considerably by the Housing Corporation method of segregation of costs. The total expenditure of a project is not clearly divided by the number of houses erected, but certain deductions are made. For instance, at Alliance, Ohio, 181 houses were planned and only 89 built. In computing, the architects, engineers, and town planners fees, only 89/181, or one-half, is charged to the houses actually constructed, yet it is apparent that much the greater part of these services were neces-

sarily incurred in reference to houses actually erected. (See p. 592, this tr.)

At Bath, Me., 90 houses were built, and 8 old ones altered, yet the total expense is divided by 98—apparently with the thought that it cost as much to alter a house as to build a new one.

On every project, the value of the surplus material as inventoried is deducted from the cost, when this surplus material is not bringing par on its inventory. (See p. 431, this tr.)

Allowing, though, for all these efforts at softening the glassy stare of the looks of these costs, we find as follows:

The highest cost per house is at Bridgeport, Conn., $7,263 each. The lowest is $4,829, at Vallejo, Calif. (with the exception of ready cut houses at Pompton Lakes, at $2,261), and the average cost of the houses appraised so far is $5,673.78 (see pp. 592–596, this tr.).

VI.

FAILURE TO USE OFFICE OF SUPERVISING ARCHITECT.

The act of May 16, 1918, carried this clause:

SECTION 1. (E) * * * *Provided further*, That whenever it is practicable to use any part of the office or field force of the Office of the Supervising Architect of the Treasury Department in or about any of the work contemplated by this act, the President shall do so.

The Supervising Architect was asked to prepare plans and specifications for the temporary men's dormitories at the Washington Navy Yard, being project 27–C. These plans and specifications were completed in 23 days, and a representative of the Office of the Supervising Architect supervised the construction work. We must mention in passing that this work was completed for very nearly the estimated cost and that no additional fee or plant rental was paid the contractor. (See p. 324, this tr.; record of Burgess-Richardson contract.)

Thereafter the Office of the Supervising Architect was not called upon by the Housing Corporation.

It is interesting to note the discussion on this topic. Mr. Burt L. Fenner, a member of the firm of McKim, Mead & White, of New York City, was manager of the Architectural Division of the United States Housing Corporation and later the general manager. He originated the policy with respect to architects, devised the form of contract, fixed the compensation, and nominated the architects. (See pp. 269, 271–277, this tr.)

His statement as to why he did not use the Office of the Supervising Architect was submitted to this committee by letter. (See p. 271, this tr.) In this letter he set out, among other points—

1. That he wanted to use the organization and going force of the offices of the various architects.

The committee finds that the Office of the Supervising Architect had the largest going force of draftsmen, technical employees, specification writers, and construction supervisors in the United States. (See p. 323, this tr.)

2. That the Housing Corporation desired, as far as possible, to use local architects who had an intimate knowledge of local housing conditions. This was afterwards explained by Mr. Fenner to mean chiefly a knowledge of the kind of houses the com-

munity was accustomed to having. It was also told the committee that there was a vast difference in this respect between such closely related communities as Washington and Baltimore, Washington and Philadelphia, Washington and Aberdeen, Md., Boston and Portsmouth, N. H., New York City and Erie, Pa., etc. (See pp. 274–277, this tr.)

The committee concludes, however, after an examination of the list of architects and their residences (see pp. 289, 599, 600, this tr.), that similar distances existed in most of the cases between the residence of the architect and the location of the project. Peculiarly, we find that 15 out of the 51 architects were appointed from Mr. Fenner's home city. A New Orleans architect was employed for Charleston, S. C., a New York architect for Erie, Pa.; a New York architect for Norfolk, Va., etc.

The committee also finds that in the instructions to architects issued by the Housing Corporation, each architect was required to visit the project for the express purpose of obtaining local facts. We quote from page 20, volume 2, United States Housing Corporation Report, June 21, 1919:

> Arrived at the town, each member of the "second investigation team" took up his own work. The architect found out what he could as to the kind of houses most practicable to build, and the kind that the workers would like. He talked to the workers and especially to their wives, and got some idea of how and where they wanted to live; he talked to the employers and got a statement of the wages paid, from which the rent to be expected could be reckoned; he talked to citizens generally, and kept his eyes open as he went about with the rest of the team. He also investigated local supplies of building material, labor conditions in building trades, and similar construction problems.

It is evident from the above that the architect was not presupposed to have an inherent knowledge of local conditions before receiving his appointment. The committee feels that the Supervising Architect's Office, designing as it does buildings all over the United States, had perhaps more knowledge of various climatic conditions and building ordinances than any other architect's office in the world. This office would undoubtedly have been able to gather as much information in conversation with the wives of workmen as any of the architects employed.

Met with the contention that the Office of the Supervising Architect had no knowledge of house building for homes, the committee feels disposed to point out that all of the project architects were furnished with standard house designs and specifications by the Housing Corporation, and further that Mr. Fenner testified that industrial housing involved no difficulty of technique, but that the planning of these projects required chiefly a high degree of executive ability. (See p. 308, this tr.) The Office of the Supervising Architect, with its 250 employees, designing, planning, and constructing each year millions of dollars worth of public buildings, equipping them, managing them, and maintaining them, must have concealed somewhere within its personnel a great amount of executive ability, which would have been available had the Housing Corporation but sought it.

The committee does not say that the Office of the Supervising Architect could have performed all of the work, but it does insist that it could have designed a great proportion of it, and that it could have designed all of the work done in the city of Washington, for which the Housing Corporation paid $101,669.48. (Table pp. 599–600, this tr.) This office could have produced the work required on

many of the near-by projects, of which there were perhaps half a dozen within a radius of 100 miles; that it could have furnished competent field supervisors and work superintendents, and in all could have saved, in the judgment of the committee, more than $200,000.

As to cost of work produced by the Supervising Architect, the critics, Mr. Waddy B. Wood, of Washington (who received nearly $50,000 per year out of the United States Government during the war period), and Mr. Fenner, pointed out that the annual report of the Supervising Architect indicates that the production of plans and specifications cost that office 4 per cent of the work involved, whereas the architects employed by the Housing Corporation produced their plans and specifications for less than 2 per cent. (See p. 318, this tr.)

We call attention to Mr. Fenner's testimony that out of the usual commercial fee of 6 per cent paid to architects, on commercial work such as railroad stations, office buildings, libraries, etc., about 40 per cent is profit and the rest, i. e., 60 per cent of 6 per cent, or 3.6 per cent, is the cost of producing the plans and specifications. It is on such work, post offices, courthouses, subtreasury buildings, etc., though far more exacting in detail, that the Supervising Architect's cost has run to 4 per cent, and not on housing groups, where dozens and dozens of houses are built exactly alike in all respect, or in women's dormitories, where 12 buildings are carbon copies of each other; or in men's dormitories, such as the navy yard, where the cost of producing the plans and specifications by the Office of the Supervising Architect was just four-tenths of 1 per cent.

The Office of the Supervising Architect would have produced plans and specifications at cost, containing no element of profit and no element of overhead. These two items constitute 53 per cent of the total sum of nearly $900,000 (p. 600, this tr.) paid out for architectural expenses.

In fact, the plans and specifications prepared by the Supervising Architect's Office up to the limit of his force, would have cost nothing. The employees in that office are compensated through annual salaries, which salaries are to be paid in any event. Their regular work would have been laid aside. (Wetmore's testimony, p. 326, this tr.) If the Housing Corporation had been billed by the Office of the Supervising Architect for the work done, it would have been a mere passing of money from one Government appropriation to the other without loss to taxpayers. It might be noted that no charge was made to the Housing Corporation for producing plans and specifications for the navy-yard dormitories.

So slack was the work due to the cessation of new construction work that several employees, at the request of local architects who were engaged on Housing Corporation work, were given leaves of absence by the Supervising Architect. These men then worked for the local architects, where they were paid twice as much as they had been receiving. For every dollar of salary paid on Housing Corporation work, the architects received an additional dollar for overhead, hence these draftsmen, Government employees on leave, were costing the United States Government four times as much per hour as if they had been engaged on the same work in the Office of the Supervising Architect.

The facts are that the United States Housing Corporation did not want to use the Office of the Supervising Architect. By disregarding this portion of the act, just as the portion with respect to temporary buildings was disregarded, they were permitted to follow their likes and dislikes, and in favoring large architectural firms, which had probably in all their architectural lives never designed a residence to cost less than $50,000, they added to the Government's financial burden all of the overhead, all of the profit, and a large part of the actual cost which was paid them, thus costing the Government at least $200,000 of unnecessary dollars. This action we can not help but characterize as indefensible and outrageous.

VIII.

COST-PLUS-PERCENTAGE ARCHITECT'S CONTRACTS.

The act of May 16, 1918, includes the following clause:

That no work to be done or contract to be made under or by authority of any provision of this act shall be done or made on or under a percentage or cost-plus percentage basis, nor shall any contract be let until at least three responsible competing contractors shall have been notified and considered in connection with such contract and all contracts to be awarded to the lowest responsible bidder, the Government reserving the right to reject any and all bids.

The contracts with architects contained a provision as follows:

The owner shall pay to architects, in the manner described in Article IV hereof, and subject to the provisions of Article VIII hereof, as the full professional fee for all services under this agreement, the sum of ——— dollars ($———); and with the desire to render a public service in the national emergency, the architect agrees to accept said fee in full for his services hereunder.

There were also the following provisions respecting reimbursements:

The architect shall be reimbursed, in the manner described in Article IV hereof, and subject to the provisions of Article VIII hereof, for such of his actual net expenditures in the performance of the aforesaid services as are included in the following items:

(*a*) The sums paid for drafting, including the verification of shop drawing, for specification writing, and for such portion of the supervision of the construction work as may be performed from his home office.

(*b*) A sum equal to the sums paid to the architect under subdivision (*a*) of this article to cover the proper proportion of the general expenses of the architect's office, commonly called "overhead," representing items that can not be apportioned in detail to this work. But "overhead" shall not be computed on overtime. (See pp. 712–716, this tr.)

We assume that the architect's overhead is not enhanced whether his employees work fast or slow. We assume that the overhead is not increased if the hourly rate be changed. Yet, if the work is slowly executed or if the draftsmen are excessively compensated, the overhead is added to, dollar for dollar. This constitutes a worse evil than the cost-plus 10 per cent of construction work which caused so much comment and which was the basis of the enactment of clause 7. In those iniquitous construction contracts, the contractor added a gain of only 10 per cent for every additional dollar he could add to the cost of the work. Under the architect's contracts, the architect's reward is 100 cents for every dollar he adds to the cost of the work.

Our attention is called to a legal opinion prepared especially for this committee after an attack was made on this clause. (See p. 589, this tr.) This opinion states the 100 per cent payment to cover

"overhead" was merely a method of computing overhead, and was not intended to increase the net profit of the architect. We grant that. The 10 per cent clause in the usual construction contract is to fix the contractor's profit and is not intended to increase the cost of the work. But the natural result of each of these two contracts is to increase the cost of construction, or in the case of architects, to increase the cost of production of architectural work.

The committee does not believe that the overhead amounted to 100 per cent. (See pp. 317, 716, this tr.) Since it was the clear intent that the architect should have no profit out of overhead, since overhead does contain a profit, we feel that some $50,000 has been paid out that was in violation of the spirit and letter of this provision. (For comparison, 25 per cent of $202,000, p. 600 this tr.) We make a recommendation at the close of this report.

IX.

RECOVERY OF ARCHITECT'S INCOME TAX.

This was but an interesting sidelight to the work of the committee. It developed in examining the books of an architect, to determine the dates of the increases in rates of pay to his employees and to determine the extent of the profit in "overhead," that this architect had underreported his income tax.

It is only fair to the architect to say that the committee was not entitled legally to force a publication of this tax report, but it was volunteered by the architect. When the matter was called to the architect's attention, he had his books immediately audited, which confirmed the findings of the committee's auditors, and made a new income tax report. The Government will receive in this item $6,484.98, which sum will go far toward the payment of the expenses of this investigation.

There is one other comment to make here at this time. This architect testified that he had allowed the Government officials with whom he dealt, to fix his compensation. He was willing, he said, to work for nothing. (See p. 47, this tr.) Of course he did a great deal of work, but the compensation was so fixed by the Housing Corporation and other Government departments that his net income for 1918 was in excess of $50,000.

In reference to this same subject, the committee finds that the fee fixing for architects in general was very generous for those who were willing to work on a patriotic basis. The usual profit to an architect is from 25 per cent to 40 per cent of his gross receipts. The architects employed by the Housing Corporation made at least 32 per cent profit out of the sums paid them, for that was the amount of fees. Their fee was all profit, all other expenses being borne by the Housing Corporation. If there was an additional profit of 25 per cent in "overhead," as the committee feels sure there was, it would add $50,519 to the profit and make the profit $324,750 out of a total payment of $900,000, or a profit of 39 per cent. This is equal to the profit in the ordinary commission on commercial work.

Hence, no matter what the patriotic intent of the individual architect to serve for less than the usual meed of profits the intentions were nullified by the generosity of the Housing Corporation officials.

X.

NONCOMPETITIVE BIDS.

This system of awarding contracts was discussed before the Senate Committee on Public Buildings and Grounds of the Sixty-fifth Congress, and the testimony on this point is found on pages 82 to 91 inclusive of the Senate transcript, but it is so interesting that the committee decided it worth while to have it completely analyzed.

Under the cost-plus-fixed-fee contracts, the contractor was never asked to "bid" on a contract. He was asked merely to "estimate" the cost and to "estimate" the length of time. He was also asked to state the amount of equipment which, in his "judgment" would be sufficient, and the size and personnel of the organization "proposed" to be employed, and the compensation to be paid. Finally the contractor was asked to name the price that he would accept for the rental of the plant equipment and the fixed fee for his services.

A score was kept, grading the various answers to the above questions, the total of the best answers being 400 points. The weight of the various answers with respect to the number of points allowed to each was as follows:

	Points.
1. Lowest estimate of time	100
2. Best organization	100
3. Best plant equipment	80
4. Lowest estimate of cost	60
5. Lowest fee for service	40
6. Lowest fee for the rental of plant equipment	20
Total	400

(See table 138, this tr.: see Webster's testimony p. 140–160, this tr.)

1. With reference to the estimate of time, no contractor was ever held to his estimate. The time was put into his contract, but no penalty was provided for violation and none ever inflicted. There was nothing to prevent an insincere contractor estimating an exceedingly small period of time and obtaining 100 points credit, while an honest contractor, who put in a period of time which he knew would be required, might receive only 85 or 90 points, and thus be penalized 10 or 15 points in the scoring for his sincerity.

The Housing Corporation admits the injustice of this system and explained to the Senate committee last December that the question of time was taken care of by providing that while additional work would command an additional fee, this additional fee would not be received if the completion of the contract was delayed. The committee has found no instance where the contractor has been held responsible for delay. With reference to the contract for the women's dormitories in Washington, D. C., the contractor received an additional fee and plant rental of $14,500, but the completion of the work had required nearly three times his original estimate of time.

2. The personnel of the organization was never given by any contractor. The names were withheld, with the exception of the superintendent, the reason given being "that the organization is our stock in trade and we make it a rule to withhold all names of our employees." (See par. 6, letter from Fuller & Co., p. 86, Sen. tr.) This point is is well taken, but a more obvious reason appears to the committee in

the fact that the contractor did not himself know who would constitute his organization. He knew he would need assistant superintendents, time keepers, time checkers, surveyors, foremen, assistant foremen, etc., but where he was to get them and who he was to get was a question usually answered after the award of the contract.

What was usually submitted was a list of the kind of employees to be used, with the daily wage to be paid to each. It was on this list, apparently, that the 100 points for organization would be awarded, and yet this list was never adhered to. The contractor might employ twice as many foremen as he planned, or half as many. He might pay them more than he had planned or less. He might employ twice as many surveyors, or none at all, subject to the subsequent approval of the Housing Corporation. His "guess" as to what organization he would need went into discard when confronted with actual conditions. This was perfectly natural. The "guess" of all contractors would fare the same way. The absurd thing is the awarding of 100 points, or one-fourth of the total, to such a "guess."

Mr. Webster, manager of the construction division, attempted to indicate that another factor was considered in "organization," viz, the general organization of the contractor, his record for achievement; in short, his reputation. (Webster's testimony, pp. 136–140, this tr.) This difference had naught to do with the theoretical list, but was based upon something which existed prior to the receipt of the competitive bids. In other words, the Housing Corporation, so far as "organization" might be concerned, having already a preconceived opinion of each contractor's merit, might just as well have put down 100 points for the best reputation and 85 points for the second best before the bids were received. In that event, to be strictly honest, they should have informed the other bidders that they were subject to a handicap of 15 points for their lack of reputation before they bid. From our understanding of competitive bids, there always exists some differences in reputation for ability. This question should be settled and eliminated by the invitations. Those who are unfit are eliminated from bidding. Those remaining are deemed fully capable of performing the contract. (See p. 539, this tr.) From that point on the bidder should have stood on equal footing, otherwise he stood to win or lose on the opinion of some Housing Corporation official.

3. On the list of plant equipment 80 points was awarded. The proposal said, "Give a list of plant equipment you consider necessary." (See p. 83, Sen. tr.) The contract read, "The contractor agrees to furnish the following equipment." (See p. 88, Sen. tr.) However, the contractor did no such thing. He furnished just what was necessary. In fact, the Housing Corporation kept no record of what plant equipment was actually furnished. It was sensible that only such equipment should be furnished as was found to be necessary, but it was not sensible or consistent to award 80 points in the competition to a purely fictitious plant which might never be furnished.

The Housing Corporation takes the position that the element of plant equipment was important because this equipment was scarce and they did not want to award a contract to a man who was insufficiently equipped. This would be a reasonable position if the con-

tractor had been asked to state what plant equipment he had, but he was not. He was asked only to state what he considered necessary, and in most cases a large part of the plant equipment was rented from other contractors or purchased after the contract was awarded. The Housing Corporation, in determining the 80 points, did not know whether the contractor had the plant equipment or even whether he could get it, or, having it, whether he would furnish it.

4. We find a similar situation in the estimated of cost. The contractor was not bound to complete the work for the estimate cost. The Government paid the total cost, whatever it was. It saved the Government not a dollar to have a crafty contractor give an alluringly low estimate and thus gain 60 points. The Housing Corporation admits the force of this argument, for Mr. Eidlitz testified (see p. 90, Sen. tr.) that a "bonus and penalty clause" was subsequently put into the contract so that if the contractor exceeded his estimate he would be penalized on his fee, and that the "bulk of the work was let with the bonus and penalty clause." This was not true. The bulk of the work was not let on the bonus and penalty clause. More than one-half of the work was let without the penalty clause. (See p. 163, this tr.) Furthermore, the committee has yet to learn of the penalty being ever inflicted.

We have seen therefore that 340 points out of a total of 400 were awarded on considerations to which the successful bidder was not held bound in his contract, and of the balance, only 60 points or one-sixth of the total, was awarded on those points which increased or decreased the cost of the work to the Government, that being the fee for service and the fee for plant rental. The other factors which would affect cost, viz, organization and estimate of time and plant equipment, were left uncontrolled.

The Housing Corporation, at the time of letting a contract, did not know what plant equipment would be furnished, what organization or personnel would be supplied, what the work would cost or how long it would take. It knew only what the plant rental and fee for services would be. For that reason, in the absence of controlling the other items, the plant rental and fixed fee should have been the determining factors, for by that only could the Housing Corporation be sure of saving dollars to the Government.

Take the sample "score board" in evidence on page 138, Senate transcript, G. A. Fuller, the successful contractor, was awarded a total of 60 points more than his nearest competitor, because he was given the maximum on time, organization, estimate of cost, and plant equipment—the very four things to which he was not to be held in his contract. On the items to which he was held, the fee and plant rental, his total was $2,000 higher than the total of the Whitney Co.

The Wells Construction Co. were ranked second, yet their combined fee and plant rental were $20,000 higher than the Whitney Co. As it turned out, Whitney's estimate of time and estimate of cost were more nearly correct than either Fuller or Wells, as the work took nearly 10 months to complete, and the Fuller Construction Co. ran more than $300,000 over their estimate. From the standpoint of saving dollars to the Government, the system was unbalanced and top-heavy on the nonessential points. On this contract the Whitney Co. seems to have been entitled to the award.

The above considerations coupled with the fact that the bids were never publicly opened and that competing contractors did not have the satisfaction of seeing their competitors' figures at the time and of knowing that they had been honestly outbid, give reasonable grounds for the belief expressed to the committee by certain contractors that the successful bidders were "hand picked" in advance in several instances.

XI.

SECRET PROFIT OF CONTRACTOR.

The profit mentioned under this item seems to have been born in carelessness and nourished in favoritism.

The G. A. Fuller Co. was the general contractor on project 54–ABD, the women's dormitories in Washington, D. C. Under the form of contract used, the Government paid the actual cost, and in lieu of profit paid the contractor a fixed fee for his supervision. The Housing Corporation had asked the contractor to make a proposal as to the "maximum rental for which he would furnish teams and trucks." (See p. 83 Senate tr.; 86 Senate tr.) It was not the intention of the Housing Corporation that the contractor should sublet these teams and trucks at a profit. (See p. 551, this tr.) The contractor secured a proposal from a local trucking concern at certain unit prices per day, based on a 10-hour day and including drivers. The contractor submitted a proposal to the Housing Corporation at unit prices somewhat lower but based, however, on an 8-hour day, not including drivers. (See pp. 86, 170, Senate tr.)

The effect of this difference was surprising.

The subcontractor, for instance, offered trucks at $30 per day, 10 hours a day, including chauffeurs. Chauffeurs were paid 35 cents per hour, making the price $2.65 per hour for the truck. The contractor offered the same truck to the Housing Corporation at $28 per day for 8 hours, excluding chauffeur, making the price $3.50 per hour for the truck alone, or 85 cents per hour profit to the contractor, which amounted on a 10-hour day to $8.50 per day per truck. There was a similar but smaller profit on teams. (See p. 471, this tr.)

Now, between the date of the submission of the proposal (Aug. 1) and the signing of the contract (Aug. 20) 20 days had elapsed. When the contract was signed, the word "maximum" was not used in connection with the rental of trucks, but the contract read "the rental which the contractor agrees to charge" instead of "the maximum rental which the contractor agrees to charge." It is clearly seen that the latter phrase would have given a different meaning; using the word "maximum" would have indicated that it was possible that a lesser charge might be made in a certain event, i. e., in the event that the trucks cost less. No explanation was given as to why the word "maximum" was not inserted in this contract, although the word "maximum" was inserted in a contract executed under similar circumstances with another contractor, the Dinwiddie Construction Co., in a contract signed August 17.

The Housing Corporation officials testified (see pp. 230, 547, this tr.) that when this profit was "discovered" it was some time

after the execution of the written contract. As a commentary on this discovery, it might be mentioned that the same kind of trucks were being rented to the Housing Corporation during the same period of time in Washington City by another contractor at $2.40 per hour, not including drivers. (See p. 549, this tr., original vouchers Burgess-Richardson.)

However, as soon as it was "discovered," the Housing Corporation officials protested to the contractor. The contractor insisted that the contract gave him the right to make this profit and that he would not relinquish it. After some disputation, we will not attempt to say how much, the Housing Corporation received an opinion from its legal division that the contractor was entitled to this profit and that the Housing Corporation was powerless.

We have no patience with such an opinion. It is found in the record (see p. 609, this tr.) for those who care to read it. We care only to call attention to several clauses of the contract, any one of which is sufficient to show that a profit of this kind was inconsistent with its spirit.

"Teams and trucking" was covered under two clauses, which read as follows:

1. The contractor shall furnish all teams of horses and wagons and all motor trucks that may be required on the work for the purpose of hauling and distributing materials. The contractor shall be paid a rental on a per diem basis for the use of such horses and wagons and motor trucks in accordance with Schedule B hereto attached; it being understood that such rental shall include maintenance and upkeep charges. The number and character of such vehicles to be employed shall be subject to the approval of the owner. The drivers of teams and motors shall be considered as labor, and shall be charged to the cost of the work.

2. Payments by owner: The owner will maintain at the work a works superintendent, an auditor, and a disbursing agent, and will pay direct upon proper audit and certification:

(*a*) To the vendors for all materials received.

(*b*) All subcontractors under contracts made in accordance with the provisions of this agreement.

(*c*) Monthly payments to the contractor for the use of plant, based upon the percentage of work completed on the last day of the preceding month, as provided in Articles II, and as determined by the owner.

(*d*) Monthly payments to the contractor for services as provided in Article V, based upon the percentage of work completed on the last day of the preceding month, and as determined by the owner.

(*e*) Such general and specific expenses of the contractor not included in the above, but which are clearly chargeable to the cost of the work as provided in Article IV.

(*f*) For teams of horses and wagons and motor trucks at rental not exceeding rates shown on Schedule B hereto attached.

It will be seen from reading these two clauses above that payment for horses and wagons and trucks were included in the same article and clause with payments to vendors for materials, and to subcontractors. Note also the words "not exceeding." We therefore mention these other clauses of the contract.

3. Special requirements: The contractor hereby agrees at all times to use the best efforts in all acts hereunder to protect and subserve the interest of the owner.

4. The contractor shall take advantage to the extent of the contractor's ability of all discounts available. The contractor shall transmit to the owner all bills for supplies and materials incurred by the contractor in ample time to enable the owner to take advantage of such discounts as may be available.

All revenue from the operations of the commissary, hospital, or other facilities, and from rebates, refunds, sale of temporary buildings, etc., shall be accounted for by the contractor and applied in reduction of the cost of the work.

5. The owner agrees to pay and the contractor agrees to accept in full payment for services as contractor in the execution of this work the sum of fifty-eight thousand dollars ($58,000).

It is evident from the above clauses that the contractor was acting as the Housing Corporation's agent. He was in a position of trust. His whole profit was to be derived from the payment of the fee. Trafficking in subcontracts was contrary to that relationship. It is evident that the Housing Corporation officials—indeed, the same legal department, also—regarded the contractor as the agent of the Housing Corporation, for in an opinion given to serve an entirely different purpose, the following excerpts appear. (See Opinion, pp. 253–258, inc., H. tr.)

CONSTRUCTION OF CONTRACT.

[Page 255.]

1. It is clear that the Housing Corporation has, under the provision of this contract, complete control, not only over the results to be accomplished, but over the means to be employed in their accomplishment. This being true, the "contractor" in dealing with third persons, in purchasing material, and in hiring labor is the agent of the owner and is not an independent contractor.

In so far as the employer retains the right of general control and management of the work, he makes the employee his agent or servant, but in so far as he leaves the choice of means and methods to the employee, he makes him an independent contractor.

2. One may be an agent and not an independent contractor, though he is paid according to the amount of work accomplished.

3. The materials purchased and the labor hired by the Housing Corporation acting through the contractor as its agent.

In so far as the contractor agrees to furnish a principal superintendent, the plant equipment, and to complete the work within the time limited, he is an independent contractor.

We feel that this profit, which amounted to $16,028.20 (see p. 249, this tr., 473 this tr.) was a species of lagniappe given to this contractor, because we find that it was denied to others under similar circumstances, and because this contractor was not entitled to it. When the contract at Vallejo, Calif., was let, the proposal carried the same language, yet when the contract was signed on August 17 (three days before the Fuller contract was signed), the word "maximum" was inserted, showing that the Housing Corporation knew at that time that the effect of leaving it out would be the laying of a foundation for a claim to profit by the contractor.

The Fuller Co. has sent this committee a letter attempting to explain their position in the matter of this profit by saying that they did not know what they might have to pay for teams and trucks, and took a chance of losing money. How specious this statement is may be understood when it is known that the subcontractor who furnished these teams and trucks testified to the committee (see p. 343 this tr.) that at the very time the bid was made by Fuller & Co., he was renting to Fuller & Co. hundreds of trucks on other construction projects in the city of Washington at the very same price he quoted them for the trucks on the Housing Corporation work.

Our recommendation on this point is found at the conclusion of our report.

XII.

CONSTRUCTION "EXTRAS."

Perhaps this matter would not appear so serious to the committee were it not for the method followed.

The financial recovery to the Government would be unchanged, whatever the intentions of the Housing Corporation officials, but the intentions and the good faith of the officials would not be so sharply brought into question but for certain matters of method hereafter mentioned.

The history is this: As construction work progressed many changes were found necessary. These changes involved both additions to and deductions from the original contract of the contractors and subcontractors as well. The usual process was to not haggle about the cost of the "extra" or the amount to be deducted, but to have the contractor give his own estimate and order him to proceed with the addition, or to make the omission with a certain figure in mind, subject, however, to revision after an exact ascertainment of the precise amount to be added or deducted. (See pp. 630, 654, 661, 663, this tr.)

Up to that point the committee is in accord with the process. The construction work was slow enough without delaying it to argue over the "extras."

Some weeks or perhaps months after the work was done or omitted the estimating division of the Housing Corporation would compute these changes and ascertain whether the amount paid or allowed was correct.

These estimators were men skilled in construction work and in construction cost. They would find a figure for the "extra" or for the omission, and refer it to their department chief for approval or disapproval of their calculations.

We now find this situation: On the women's dormitories in Washington, D. C., various change orders were submitted to the estimating division for calculation. In each instance the figures of the individual estimator were approved by the chief of the estimating division, yet the committee finds in a large number of cases the figures and the comments of the estimator were erased from the sheet and larger figures, in many cases the figure demanded by the contractor, would be paid in lieu of the figure found by the estimator. (See pp. 629 to 639, this tr.) We call two special items to the Senators' attention.

The painting on these hotel buildings was let at a lump-sum fixed-price contract, "all according to plans and specifications, for $57,500." The contractor claimed an extra of $4,773 for finishing the floors in the dormitories. (See p. 648, this tr.) This request was refused by the estimating division for the estimator found that the item of finishing the floors was included in the contract under the plans and specifications, and this finding was approved by the chief of the estimating division. The committee has examined the specifications and agrees with the estimator. We find, however, that the comment of this estimator on this proposed extra has been erased and the subcontractor has been allowed the sum of $4,773.

The painting contract included the painting of the exterior stucco-work on all of these buildings. It was decided to omit this exterior painting. The contractor offered to deduct $3,000 if this omission were made. The estimating division computed that the cost of painting this stucco was $10,981, and that this sum should be deducted from the contract price. (See pp. 632, 633, this tr.) This finding of the estimating division—i. e., these figures—were erased and the contractor was ordered to deduct the sum of $4,000 from his contract. How absurd a deduction this is, is shown by the fact that the contractor was allowed in another change order $5,000 for painting the blinds alone on these buildings, and has insisted that $3,000 was an adequate sum to be deducted for the omission of the painting of the entire exterior of the buildings.

Of course, we have been told by the Housing Corporation officials (see p. 659, this tr.) that on these extras the figures of the estimating division were disputed by the contractor; that the result was a compromise between the two. This we can not accept as a complete explanation. The erasures of the estimator's figures and the acceptance in the majority of cases of the contractor's own figures indicate an ignoring of the computations of the estimating division.

We think that is what occurred, but why it occurred we can not say, except that the subcontractors had more weight and influence with certain officials than their own Estimating Division.

Nor can these "compromises" be explained on the grounds of exercising the best judgment in the rush of emergency. There was no emergency. Out of 27 change orders on this project, aggregating about $350,000, 24 of them occurred after the signing of the armistice. The Housing Corporation had time to devote, if they saw fit to do so, to the saving of the Government's money. The difference as between the amounts paid to the subcontractors and the sums which should have been paid them, and the amounts deducted from subcontractors and the amounts which should have been deducted, as computed by the estimator, Mr. Cooper, and approved by Mr. Dibrell, his chief, is over $30,000 on this project alone. The difference between the "extras" allowed to general contractors and the "extras" as computed by Mr. Cooper and approved by Mr. Dibrell, is over $20,000. On this latter item the Housing Corporation did not pay the full $20,000, but paid only the actual cost, but the general contractor got a percentage of his fixed fee of about 3.7 per cent on the entire $50,000 excess. The Housing Corporation's net loss is $30,000 to subcontractors and about $1,750 to the general contractors. (See p. 697 this tr.)

We were told that some of these extras were allowed after the completion of the work, and based upon the "cost engineer's" reports of what the work had actually cost. Our wonder at this defense is natural, for we were told on another occasion that the "cost engineer's" reports were never accurate. (See p. 573 this tr.) This was when counsel was demonstrating that the projects pushed on to completion after the armistice were not nearly as far advanced at that time as Mr. Fenner testified to the House Committee on Public Buildings and Grounds. The correctness of cost engineer's reports seems to depend entirely upon "whose ox is being gored."

We close this chapter on "extras" by making a further observation that the estimators' figures on other projects, such as were kept by

Mr. Cooper on this project, have not been preserved. They are nonexistent. We could find them only in isolated cases. There is therefore no record as to whether the sums paid to subcontractors were or were not in excess of the computations made by the Estimating Division. In most cases the subcontractor's figures have been apparently O. K'd by one of the estimators; but if that is so, then there was a remarkable unanimity of opinion between the subcontractor desiring to get as large an allowance as possible and the estimator charged with the duty of conserving Government funds, which unanimity of opinion we find, fortunately, did not exist on this project in Washington City, where the computations were made by Mr. Cooper.

We wish the Senators also to note that this Mr. Cooper, after having refused to O. K. several estimates of "extras," which in his opinion were excessive, was offered a position at $15 a day by the general contractor on this project as "superintending foreman," a position which did not then exist. (See p. 651 this tr.) The gentleman who was reported to have made this offer, Mr. Stenhouse, whose denial was received after the completion of the hearings, was employed by the Housing Corporation upon recommendation by Mr. Baird, vice president of Fuller & Co., and by Mr. Waddy Wood, architect for Fuller & Co. on all of their Government work in Washington. (See application blank of Stenhouse in file Housing Corporation.) Shortly after refusing this offer Mr. Cooper was dismissed, being told that he had "pursued Fuller & Co. too hard." (See p. 638 this tr.)

Two choice results of this policy on extras well illustrate what occurred.

The little infirmary building, opposite the Senate Office Building, a low one-story structure, cost, without equipment, more than $19,000. Over $10,000 of this was paid to subcontractors for heating, plumbing, painting, etc. (See "Extras," Fuller contract.) This little building, low in stature but high in cost, deserves the attention not only of valuation experts but of the taxpaying public as well.

Another item is the item of window blinds, to which some publicity has already been given. The general contractor had estimated the cost of these blinds at $27,000, and the estimate was accepted and allowed as an extra, which meant that the general contractor received a fee on this sum, nearly 4 per cent, amounting to approximately $1,000. When the committee's auditors discovered that the blinds, themselves cost approximately $5,000, and the painting cost an even $5,000, $17,000 was either the cost of hanging 2,500 pairs of blinds, or the estimate was grossly excessive.

The Housing Corporation has informed this committee that the hanging did not cost $17,000, but cost $1.63 per pair, or approximately $4,000. So the correct estimate of cost should not have been over $15,000. Had the estimating division computed this extra, or having computed it, had the construction division accepted the computation, the estimate would never have been accepted and the contractor would never have been paid $1,000 for supervising $15,000 worth of work, but the Government would have paid a percentage on a reasonable cost instead of on an excessive estimate.

We make a recommendation on these "extras" at the conclusion of this report.

XIII.

LOAN TO THE SPRINGFIELD CONSOLIDATED WATER CO.

The Housing Corporation, under "Clause D" of the Act of May 16, had authority to make loans to provide community facilities.

Clause D: To aid in providing, equipping, managing, and maintaining houses, buildings, improvements, local transportation, and other general community utilities by loan or otherwise to such person or persons and upon such terms and conditions as he may determine: *Provided*, That no loan shall be made at a less rate of interest than 5 per cent per annum, and such loan shall be properly secured by lien, mortgage, or otherwise: *And provided further*, That no loan shall be made and no house or money given under this act to any person not an American citizen.

The proviso that the loan should be properly secured was put there to expressly limit the lending power. Also it will be clearly seen from the reading of the act that such lending power existed only in connection with and as an aid to industrial housing.

The Springfield Consolidated Water Co. supplied water to certain communities just outside the municipal limits of Philadelphia, and a small proportion within the limits. They had been ordered by the Public Service Commission of Pennsylvania to make certain improvements and extensions to their system to satisfy complaints made by their customers as to the service given. This order was dated April 18, 1918. (See Case 393, Public Ser. Com., Pa.). The fair value of this company's property as of October 1, 1917, as found by this commission and shown in this order, was $7,203,320.

The company had underlying bonds outstanding in the amount of $5,805,000, or more than 80 per cent of the value of the property, leaving an equity of only $1,398,320. Against this equity of $1,398,320, there was a general bond issue of $25,000,000 authorized, of which $3,543,000 was outstanding and $6,000,000 reserved to retire outstanding bond issues. There were also securing notes outstanding in the amount of $170,000.

In this condition the company sought aid for the purpose of making these extensions and having exhausted the usual sources without success, applied for Government aid to the War Finance Corporation, which, after a careful investigation, refused the loan because of the inadequacy of the security offered and the inability of the corporation, in their opinion, to repay the loan. (Page 562, this tr.) The water company then came to the Housing Corporation.

The chief engineer of the Housing Corporation, Mr. J. W. Alvord, had been an expert valuation witness for the water company in its controversy with the public service commission on two occasions. When the matter was taken under advisement by the Housing Corporation, Mr. Alvord caused an investigation to be made by Prof. F. R. Tourneaure. This investigation was made and report submitted to the president of the Housing Corporation, which report was signed by both Prof. Tourneaure and Mr. Alvord. It might be appropriate to state that Prof. Tourneaure's report was based, among other things, on a three-day physical examination of the property and books of the company and on the report previously made for the water company by Mr. Alvord. Both Prof. Tourneaure and Mr. Alvord recommended that the loan be made. (See p. 171–174, Sen. tr.) They made a finding that the general lien bonds, the

outstanding bonds of the $25,000,000 issue, had a value of 40 cents on the dollar, "not taking into account bonds which may be held as security for floating debt." The committee does not know if any bonds were held as security in this manner. The investigating agent did not say so, but certainly indicated so, and if any were outstanding in this manner, the value of the bonds would have been proportionately decreased.

In any event the Housing Corporation agreed to a loan of $500,000. As security for this loan they were to take bonds at the rate of 4 to 1 of the loan, or if the entire sum had been used, would have received $2,000,000 of bonds as collateral. It will be borne in mind that this issue of $2,000,000 would have made the amount of bonds outstanding $5,543,000 as against an equity of $1,398,000, and these bonds would be at best therefore, worth but 23.5 cents on the dollar. However, the added value represented by the loan, made the equity $1,989,000, and the bonds, then, worth but 32 cents on the dollar.

Considering the fact that these bonds were but a poor second mortgage at most, subject to an overwhelming first mortgage, there was not enough of them delivered, poor as they were, to make adequate security.

When this matter was questioned by the Senate Committee of the Sixty-fifth Congress, the Housing Corporation attempted to justify the loan not on the grounds of security offered, but on the grounds that the additional facilities were absolutely necessary for individual consumers, i. e., for the occupants of industrial housing. Prof. Tourneaure's report does not bear out this statement. His specific quotation is (see p. 171, Sen. Tr.):

> The proposed extensions are necessary on account of war industries, and it would appear that this is a logical and proper place for aid by the Government War Finance Board.

(P. 172, Sen. Tr.):

> While few of the employees of this plant reside in this district their use of water during working hours is very large.

From the foregoing, we feel that the inadequacy of service was confined chiefly to the industrial plants. It was this precise situation that was seriously considered by the War Finance Corporation, which was organized expressly for that purpose. Having that in mind, it was evident that the War Finance Corporation felt that the need of water for the industrial plants or for the war program did not outweigh the seeming inability of the Water Co. to repay, and hence they refused the loan. The Housing Corporation was not organized or authorized to invade the jurisdiction of the War Finance Corporation. We can not understand nor appreciate the attitude of Prof. Tourneaure and Mr. Alvord in stating explicitly that the situation was one for the War Finance Corporation and at the same time recommending that the Housing Corporation make the loan.

In supplying the money to this company, the Housing Corporation was in no sense supplying community facilities for industrial housing. The houses, which were then contemplated by the Housing Corporation and which were never erected in the Springfield district, did not justify an outlay of half a million dollars for water supply. The other houses erected in Philadelphia by the Housing Corporation were not served by this company.

Mr. Eidlitz, when questioned by this committee, said that his judgment would undoubtedly have been influenced had he known that Mr. Alvord had been an expert witness of the Water Co. He said also that he did not know that the War Finance Corporation had refused the loan. (See p. 560 this tr.) Mr. Eidlitz's memory doubtless was at fault, for he knew of both facts. (See p. 560 this tr.)

As an added item of apparent looseness in this loan, we point out the fact that the Housing Corporation advanced this money, after making the contract, upon vouchers for expenditures presented by the Water Co. Prof. Tourneaure's report stated that certain of the improvements contemplated had been started, but no provision made for payment. The committee finds that in spite of this language of the report and in spite of the evident intent of the loan to finance future improvements, the Housing Corporation reimbursed the Water Co. for over $54,000, of bills incurred and paid by the Water Co. prior to the making of the loan agreement; some of them more than a year old.

We have a specific recommendation on this item at the conclusion of our report.

XIV.

FAILURE TO CANCEL BUILDING AT ARMISTICE.

The Housing Corporation officials knew definitely November 6, 1918, that the end of the war had come. (See p. 298 this tr., 156–7 this tr.)

On that day they held a conference of department heads to determine what they should do with respect to their building program (see p. 569 this tr.). According to Mr. Eidlitz, they decided to "ruthlessly curtail" (see p. 568 this tr., 157 H. tr.). Neither the general shortage of houses nor the needs of the various communities were to be considered (see p. 151 H. tr.) The only question to be determined was whether the Government would save more by completion than by cancellation and abandonment. (See p. 568 this tr.)

In the face of such well-expressed sentiments of efficiency, and loyalty to the Government funds, for which a word of commendation was received from the Chief Executive (see p. 610–611 this tr.), the committee finds that two projects at least were flagrantly pushed to completion, which should have been immediately canceled. One was the Crane tract at Bridgeport, Conn., and the other the Philadelphia project. On one the Government spent $1,371,838.90, and on the other $3,406,000. Of course it is competent to explain how much of these expenditures had been incurred or how much liability had been assumed as of November 6.

At the date of the conference, November 6, the Crane tract had been under construction just two weeks. The first progress report prepared by the cost engineer showed that only a "bare start had been made." (See p. 300, this tr.) The project was but four-tenths of 1 per cent completed. The amount of the commitments and contracts on that date was $270,793.56. We have no way of knowing how much of this material committed for had been shipped, but pictures taken on the site show that practically no material had been delivered on November 20. The salvage realized from material delivered has amounted to about 70 per cent. (See p. 431, this tr.) And we feel

justified in stating that the salvage on this material undelivered would have been larger because undelivered. We compute it, however, at 70 per cent and find that the Government's loss on material ordered and on contracts would have been $81,238.06. We add to that the $163,241.04 which the report showed had been expended up to that date, make allowances for other expenditures incurred, and state without fear of contradiction that the Government's loss on cancellation would not have exceeded $244,479.10.

As it now stands, the project which cost $1,371,838.90 is worth not to exceed $700,000. This figure is based on the average of the appraisals already made in Bridgeport, 51 per cent, which is also the general average. (See p. 444–593, this tr.) The Government's loss on this project is approximately $670,000, as against the loss of $245,000 which would have been sustained if the directors of the Housing Corporation had fairly exercised their judgment in determining whether to cancel or to continue.

How clearly the Housing Corporation officials felt that their action in continuing this project was subject to criticism is shown by the fact that the very minutes of the conference of November 6 carry on their face an apprehension of congressional disapproval, but an apparent disregard of it. The minutes read:

To proceed as otherwise planned unless Congress decides otherwise on the Crane tract. (See p. 569, this tr.)

On Philadelphia the percentage of completion on November 6 was 6 per cent, considerably more than the percentage on the Crane tract, but the contemplated expenditure was vastly larger. The amount of commitments for which the Government was obligated at that time was $824,792.07. The amount actually expended was $163,125. (See p. 720, this tr.) We feel that the Government's loss on cancellation would not have exceeded $425,000. As it now stands, subject to appraisal, but based on the average of appraisals made, the property in Philadelphia is worth approximately $1,900,000, and the Government's loss is therefore $1,500,000, as against $425,000, which it should have been.

Neither Mr. Eidlitz, the president, nor Mr. Fenner, the general manager of the corporation, could recall at the time of their testimony before this committee what considerations induced them to continue these projects. (See pp. 301 and 571, this tr.) Mr. Eidlitz frankly admitted that the Crane tract could not be justified on the grounds of the necessity of housing or on the grounds of saving the Government's money, but that it was in the nature of an experiment which he was anxious to see completed. (See pp. 570, 571, 611, this tr.)

Ordinarily directors of a corporation are held not accountable for honest errors of judgment, but the admission of Mr. Eidlitz and the notation with respect to the anticipated disapproval of Congress in the minutes of the conference convinces this committee that the Government did not get an honest exercise of discretion of its officials, but got instead an abuse of discretion, for which directors of private corporations are held accountable at law upon suit of the stockholders. The stockholder in this case is the Government, and the Government has been undoubtedly damaged by the failure of its directors to exercise the judgment of which we hope, and they insist, they were capable of.

XV.

THE WOMEN'S DORMITORIES IN WASHINGTON, D. C.

So much has been said of this project, chiefly because of its accessibility to official observation, that the committee has made a special study of its construction and operation.

We find that since its completion and since it has been fully occupied it has maintained itself as against its operating expenses. Its income, however, does not meet at all such items as depreciation or interest on the investment, and does not maintain the original equipment.

Computing interest at 5 per cent, it would be necessary, to meet these items, to change the present rate of $45 per month now charged the occupants for room and board to $50.50 per month. (See p. 372, this tr.) (Computing buildings at 25% of construction cost and equipment at 50%.)

It is well to show what is being furnished for the sum of $45.

These 1,818 young women (the maximum capacity under present conditions) receive complete hotel service. Each has a single room, well furnished with specially made furniture, including a clothes chest or dress box and ample closet space. Each room has convenient access to shower baths and toilets. Maid service is furnished for cleaning the rooms, and all linens, such as sheets, pillow cases, and towels, are supplied. Laundry work may be done by the young women for themselves in specially constructed tubs in the basement, and electric current is supplied for electric irons and also for certain light cooking utensils. The occupants may also have laundry work done in the hotel laundry at rates less than prices current with private companies. In addition, there is practically unlimited access to free telephones, and messages are received and delivered, mail distributed, and keys cared for. Infirmary service is given without extra charge in complaints where the patient is not too seriously ill. Reception halls are provided for the receiving of guests, and dancing may be enjoyed in the recreation halls. The meal service includes two meals a day, and the meals, as far as the committee can ascertain, are nourishing and are cleanly cooked and well served.

These young women are undoubtedly well cared for and the committee believes it is not beyond the financial ability of the occupants to pay the actual cost of the things furnished them. As long as the actual cost is not paid, the Government is in the position of favoring those fortunate enough to obtain accommodations, to the extent of $5.50 per month.

The salary paid the manager, of which complaints have reached the ears of the committee, is a large salary, as salaries to women are commonly viewed. The committee feels though that any woman who is capable of competently filling a position ordinarily occupied by a man, is entitled to the compensation ordinarily paid. The present manager, Miss James, receives $4,500 per year, with rooms and bath for herself and her mother. These accommodations, based on the present rates, add about $1,500 per year, so that her compensation may fairly be stated to be $6,000 a year. A competent manager of an 1,800-room hotel is entitled to a salary of that size. The salaries to matrons of the various dormitories range from $75 to $100

per month and the allowance of room and meals. These salaries are not, in the opinion of the committee, excessive.

While it is comparatively simple to dispose of the theory of Government hotels by saying that the Government should not embark upon a policy of furnishing its employees accommodations, it is not so easy to dispose of the fact that the Government has already in this instance embarked upon that policy. The question is no longer what should have been done but what ought to be done with this property now that the investment has been made.

We can not leave the subject of the dormitories, however, without treating on another aspect of these hotels, i. e., the construction cost.

They were, like other Housing Corporation edifices, too fine for war emergency. We grant that the emergency called for housing, otherwise no appropriation would have been made. We grant that there was an urgent necessity for housing homeless women in this city, and that the Government owed an important duty to the young women whose patriotism had brought them to offer their services in numbers beyond the housing capacity, yet we see no need of constructing buildings so fine as to cost, with furniture and equipment, $1,542.50 per room. And we see no necessity of furnishing them at a cost twice that of furnishing men's dormitories on other projects. (See p. 372 this tr.)

We see no necessity of the expensive hollow tile construction. This objection was answered by the Housing Corporation officials saying the hollow tile was necessary because of the fire risk involved in a three-story frame dormitory. To this we agree, but we point out that the architect of this dormitory earnestly recommended a two-story building, and we further mention that by far the larger part of temporary war buildings in this city were two-story frame buildings.

The architect had also recommended that the rooms be constructed for two occupants each, and stated that the saving to the Government would have been at least 30 per cent. This saving would have amounted to approximately $460,000, as the 12 dormitory buildings alone in construction cost amounted to $1,539,331.03. The evidence as to why young women were not permitted to be placed two in a room and why it was insisted that they be housed in single rooms was not put into the record because of the reluctance of witnesses to discuss a delicate subject at a public hearing. (See pp. 34, 54, 532 this tr.)

The committee understands, however, that this decision was reached upon the advice of a former police matron who sought to avoid the occurrence or extension of habits of vice. (See p. 533 this tr.)

We can not too strongly voice our indignation at the acceptance by the Government officials of this theory, condemnatory as it is of the young women who were to occupy these hotels. We do not close our eyes to the existence of known evils; we know of the existence of such things. We do, however, know that all over the United States young women of habit-forming ages are housed in colleges or dormitories by the "room-mate" method and we have never heard any reformer raise an outcry against the moral results. Whatever may have been the value of this expert's recommendation, that recom-

mendation was for permanent housing, not war emergency housing, and we give it no credence. (See p. 533 this tr.)

Further, the women who came to Washington were for the most part mature in mind and purpose. And we have only the utmost impatience with the expenditure of an extra $460,000 of Government funds in the erection of temporary women's dormitories, out of fear that these young women might learn or impart to each other the knowledge of vicious secret habits.

XVI.

SHORTAGE IN NONEXPENDABLE PROPERTY.

The committee on August 1, 1919, called upon the Housing Corporation to furnish it with an inventory of its nonexpendable property. It was the intention of this committee to check this inventory against the vouchers for such articles and against subsequent sales to determine if the proper accountability had been made.

We have never received this inventory. We do not know if it is within the power of the Housing Corporation to supply it. An inventory has been furnished us for the furniture and equipment of the women's dormitories (with the exception of the kitchen and cafeteria equipment) and a serious shortage exists. The committee's auditors have checked this inventory against the report of the equipment installed and the result shows approximately $11,968.68 of Government furniture and equipment is missing. This consists of such items as arm chairs, blankets, beds, and mattresses. (See p. 696, this tr.)

There is no way of fixing personal responsibility for this shortage. No person was required to receipt for this furniture. The "equipment engineers" who made the purchases certified to its delivery to the respective dormitories. That it was delivered has not been denied or questioned by anyone, as far as we know, but that it is not there now appears over the signatures of the present dormitory matrons.

Thousands and thousands of dollars worth of such articles as household furniture, dining room and cafeteria equipment, automobiles, office equipment, tools, etc., were purchased by the Housing Corporation, but where it is now will remain a mystery until this corporation furnishes a complete inventory and a complete report of the sales of such property.

A statement has been received by the committee from Mr. Macomber, vice president, after the close of formal hearings which indicates that the foregoing shortage is only apparent and not real. We hope this is true. But the failure of the original inventory as formally requested by this committee and made apparently in a careful manner to give a true return in the first instance strengthens the committee's position in making the recommendation which it does at the close of this report.

XVII.

MATERIAL MISSTATEMENTS.

The committee knows of no penalty, but wish some did exist, for the crime of deliberately misrepresenting facts in official reports for the sole purpose of creating a favorable impression in the public

mind about the abilities and accomplishments of the author. The official reports of the Housing Corporation have many of such inaccuracies.

We cite several in the report of December 3, 1918. The Real Estate Division cleverly camouflaged a report of its purchasing ability by stating that it had purchased for $4,730,615.68 real estate appraised at $5,600,529.74; this being a "saving" of "15.5 per cent." (See p. 60, report Dec. 3, 1918.) The reading of this statement would naturally create the impression that this real estate was purchased for less than its appraised value. That was undoubtedly the impression that it was meant to create, otherwise the English language is meaningless. But this impression is far from the fact. Real estate was appraised by several committees of appraisers in each city. The valuations of the parcels varied of course in the opinion of these committees, and the values would often have a wide range from the highest to the lowest. We find though that Mr. Shannon, manager of the Real Estate Division, makes his showing of good purchasing ability by basing it entirely upon a comparison between the price paid and the sum total of the highest appraisal.

The actual facts are that the sum total of the purchase price was $4,852,205.49. Taking the average of the appraisals, we find that the total of the average appraisal was $4,991,355.10, while the total of the highest appraisal was $5,740,742.74. The total of the lowest appraisals was $4,362,774.18. Thus, the property cost only $139,000 less than the average and $500,000 more than the total of the lowest. (See p. 676, this tr.) In this connection Mr. Eidlitz testified (p. 210, House tr.) that it was the lowest appraisal upon which they tried to rely in the purchasing of real estate. If this were true, then the purchasing department failed badly to realize its aim in this reliance. Mr. Shannon also testified (see p. 72, this tr.) that the appraisals of the real-estate boards were usually the best as well as the lowest, and it is evident from the figures above that a great deal more was paid than the sum total of the lowest and best appraisals. We do not say that too much was paid for the real estate. We simply point out that the work of the Real Estate Division was not so abnormally efficient as to entitle it to sing its own pæan.

This same head of the Real Estate Division referred in a public speech in glowing terms to the ability of his realtors, "Time alone stops me in the praise of these and other realtors, whose unselfish efforts were of great benefit to our country." (See p. 85, this tr.)

We believe the work of the realtors was efficient. We object only to having their unselfishness lauded to the glory of the Real Estate Division, when these men were paid $50 a day and their expenses for the service rendered. (See pp. 618, 694, this tr.) In the speech referred to above the manager of the Real Estate Division boasts again about excess purchasing ability in this language:

> It was these men who purchased millions of dollars of real estate located in 21 States and 50 separate communities for $800,000 less than even community appraisals.

The use of the latter words would indicate that realtors, buying for less than community appraisals, had accomplished something particularly difficult. But as noted before, it consists merely of purchasing property for less than the highest guess made by local committees as to its value.

The Architectural Division reported that the architects employed for it worked in a spirit of patriotic unselfishness and "their terms in every case yielded a margin of profit far below that which he commonly makes, and is entitled to." (See p. 65, report, Dec. 3, 1918.)

We do not question the patriotic intentions. We sharply question the "margin of profit." The usual commercial percentage is 6 per cent, which covers all items, drafting time, office expense, supervising expense, and profit. The usual margin of profit accruing out of this 6 per cent as a net earning to the architect is from 25 per cent to 40 per cent. (See p. 319, this tr.) The undisputed margin of profit to the architects by the Housing Corporation was 32 per cent. (See p. 599, this tr.) Under the contract with architects the Housing Corporation paid all expenditures, made an allowance for overhead, and in addition paid a fee, which fee was undoubtedly net profit. The fees amounted to $274,231 out of a total of $885,960. The "item of overhead," amounting to $202,077, undoubtedly contains within it a measure of profit to the architects. The overhead is usually about 75 per cent of the drafting expense (see pp. 317, 716–719, this tr.), but the Housing Corporation paid 100 per cent of the drafting expense. If 25 per cent of this overhead is added to the net fees it shows a total profit of 39 per cent out of the sums paid to the architects, which more than equals the "margin of profit he commonly makes." It was of course argued by the officials of the Housing Corporation that the usual architectural fee was 6 per cent, that the sums paid by the Housing Corporation aggregated considerably less than 6 per cent. This is not the point. The usual fee does not apply in unusual cases. These houses were duplicated over and over again. The true measure of the amount of work involved is the amount of money paid for drafting time for that is an indication of the amount of drafting and office work necessary. The amount of drafting time usually bears a certain fixed relation to the architect's net profit. That fixed relation was maintained and the sums paid by the Housing Corporation and the architects did not work for less than the usual margin of profit.

As an illustration of how futile a comparison of the customary 6 per cent rate would be we point out the women's dormitories, in Washington City.

There were 12 buildings exactly alike. They were "carbon copies" of each other. With the exception of the elevations and introduction of plumbing and heating supply lines, they were erected on a single set of plans and specifications. These 12 dormitories cost $1,774,651, or 70 per cent of the total cost of the project. (See p. 698–699, this tr.) Seventy per cent of the architectural fees and expense is over $32,561 for designing 12 duplicate dormitories. Based on the cost of 1 dormitory, for only one set of plans and specifications was used, the percentage is not 6 per cent, the usual customary fee, but 22 per cent.

The same illustration applies for instance at Bath, Me. Only 4 types of buildings were used at this project to construct 90 houses. (Table No. 4, report June 21, 1918.) The total architect's fees and expenses was $16,421. (See p. 592, this tr.) Dividing this expense by 4, for the 4 types of houses used, we find architectural expenses for each type to be $4,105. The houses cost on an average $6,972,

making the architectural expenses 60 per cent, based on the types used.

These figures are not quite fair, though Mr. Wood testified (see p. 50, this tr.) that with respect to the dormitories this would be a fair allocation. But they are just as fair in their way as the comparison which the Architectural Division made with reference to the customary fee of 6 per cent. The work was not usual; the work was unusual, but the result of the statement of the architectural division was to convey a false impression and it is against this attempt that our condemnation is directed.

The Engineering Division made the statement that the average of fees and overhead allowance to engineers "has been but 1 per cent of the cost of the utilities involved." (See p. 70, report Dec. 3, 1918.) In that event, but $130,600 should have been paid in engineering fees and overhead, as a total cost of all contemplated utilities work was $13,060,000. (See p. 68, report Dec. 3, 1918.) But we find that $639,385.32 was paid out in engineering fees overhead allowance, and expense. (See balance sheet Housing Corporation Aug. 31, 1919.) Of course this sum includes field salaries and expenses and we can not segregate the amount of fees and overhead, but taken all in all it is approximately 5 per cent of the *contemplated* work, and the contemplated work was not one-half of the actual work executed. The usual commercial percentage for engineering services is but 5 per cent of the actual cost of *executed* work.

Mr. Eidlitz was perhaps more inaccurate in his statements before the various committees than any other witness.

In discussing the form of contracts used, Mr. Eidlitz testified before the Senate Committee on Public Buildings and Grounds. (See p. 90, Sen. tr.):

> After the first month of this method of doing it, we put in a bonus and penalty clause. * * * The bulk of the work was let with the bonus and penalty clause.

This was not true. In the first place, the form of contract was not "changed after the first month," but contracts without a penalty clause were let for more than two months after the first contract was let. In fact, of two contracts, both let on October 3, 1918, one for $703,000 and one for $964,000, one carried the penalty clause and one did not, to the evident favoring of the contractor who faced no penalty. (See exhibit, p. 165, this tr.) In the second place the "bulk of the work" was not let *with* the bonus and penalty clause, but *without* it. Out of $51,768,140.36, the total amount of the contracts awarded, (according to L. K. Sherman, p. 163, this tr.) only one-third of them were let with the penalty clause.

Mr. Eidlitz testified to the same committee that the Housing Corporation, in letting contracts, could not reject "any and all bids." (See p. 92, Sen. tr.) That was not true. The act of May 16, 1918, section 7, carries this language:

> * * * All contracts to be awarded to the lowest responsible bidder, the Government reserving the right to reject any and all bids.

And the written invitation sent out to contractors requesting their bids carried this language. (See p. 1, Proposals for Contracts):

> We reserving the right to reject any and all bids.

The opinion rendered Mr. Eidlitz by his own legal division, (see p. 588, this tr.; p. 205, Sen. tr.) advises him of the wide latitude which is permitted by the courts in exercising this power.

On the question of fixed fees for contractors, Mr. Eidlitz testified that he fixed the fees. That the average fees on work under $1,000,000 was 3½ per cent, and over $1,000,000, was 2½ per cent. (See p. 35, Sen. tr.) That was not true. The prepared schedule of fees fixed was introduced in evidence (p. 146, this tr.), and shows that there was no fee as low as 2½ per cent, except jobs over $5,000,000, of which none were let. (See pp. 164–166, this tr.)

Mr. Eidlitz attempted to explain before this committee that he meant the average of fees actually paid. We take time to reply that whatever was paid was due to the opinion of the contractor. What was fixed was fixed by Mr. Eidlitz. He "fixed the fees." Furthermore, Mr. Eidlitz did not follow the schedule, which was introduced in evidence. The schedule itself is a delusion. He testified (see p. 543, this tr.), that the official estimate at Erie was $3,700,000 and that he had fixed the fee according to schedule. This is not true. The official Housing Corporation estimate on the West Tract at Erie was $1,644,000. The fee fixed by Mr. Eidlitz was $70,000 or 4.13 per cent. The estimate on the East Tract was $604,000, and the fee fixed by Mr. Eidlitz was $30,000, or 4.95 per cent. The total fee on the two contracts (which were awarded as one contract) was $100,000, or 4.45 per cent of the total estimate of $2,248,000. This was the figure used by counsel in examining Mr. Eidlitz (see p. 543, this tr.), and was denied by Mr. Eidlitz. Counsel's memoranda were not before him at the time, but the figures above quoted are taken from the official estimates furnished this committee by the Housing Corporation, marked "Estimates, Request No. 3, Erie, Pa."

This same delusion about the contractor's fixed fee was repeated by Mr. Manson, one of the Legal Division of the Housing Corporation, in an opinion rendered, which is found on page 254, House transcript:

> Instead of being compelled to pay the usual 7 to 10 per cent charge of contractors in peace times, the corporation was able to get its work done for fixed fees, which in relation to cost range from 2½ per cent to 3½ per cent.

Mr. Eidlitz took occasion to defend the G. A. Fuller Co., apparently accused by the Senate committee in the investigation of December, 1918, of making profits to which it was not entitled. A position and an accusation adopted in toto by this committee. In this defense Mr. Eidlitz caused an audit to be made at the Government's expense and presented it to the House Committee on Public Buildings and Grounds, while that committee was considering Senate resolution 194 of the Sixty-fifth Congress. (See pp. 243–246, H. tr.)

This audit is an artful exhibit, but it is a sham of what it pretends to be. We hope the Senators will take the time to read the testimony on this audit by the auditor who made it, found on pages 116 to 128, this transcript.

Mr. Eidlitz testified that he did not see this audit, but he must be held responsible for it, for he ordered it, paid for it with Government money, and presented it to the House committee. The audit created a false impression before the House committee, and it was intended to create the very impression that it did. It certainly was not a proper item of Government expense, and the individual respon-

sible for ordering it should be called upon to pay back this sum to the Housing Corporation treasury.

Mr. Fenner presented an array of statistics to the House Committee on Public Buildings and Grounds with reference to the stage of completion of the various projects. This was directly pertinent to the hearings on Senate resolution 194, which provided for the cessation of work on all projects less than 75 per cent completed. The percentage of completion was important. Mr. Fenner gave his testimony on this point. (See pp. 142–167, H. tr.) This testimony was very incorrect, and in all cases the inaccuracy increased and never decreased the percentage of completion. For instance, Mr. Fenner testified that Aberdeen, Md., on January 14, 1919, was 74.2 per cent completed. The cost engineer's report shows 58 per cent. He testified that New Brunswick, N. J., was 63 per cent completed, and the cost engineer's report shows 41.7 per cent. He testified that New London, Conn., was 63 per cent completed, and the cost engineer's report shows 35.02 per cent. He testified that Niagara Falls was 30 per cent completed, and the cost engineer's report shows 21.64 per cent. There were others of similar ilk. (See pp. 301–304, this tr.) Mr. Fenner did not prepare these figures, but must be held accountable for them. He told this committee that his testimony was based upon data which had been prepared for him. This data is not now in existence. (See p. 305, this tr.)

The data upon which the committee lays the charge of inaccuracy is the cost engineers' reports. We were told that the cost engineers' reports were not reliable. (See pp. 303, 573, this tr.) We are told that Mr. Fenner based his estimate upon the opinion of the works superintendents. We reply that the percentages quoted from the cost engineers' reports are "based upon superintendents' estimates," and further that the cost engineers' reports carry the signature of the works superintendents. We call particular attention of the members of the House Committee on Public Buildings and Grounds to the discrepancies in Mr. Fenner's testimony.

In fact the members of the House committee are also entitled to know that the word "commitment," used by Mr. Fenner in his long and explicit testimony, has no real meaning, and there is no real basis for the computations made. Mr. Fenner himself (see p. 305, this tr.) was unable to tell how the commitments had been computed. Mr. Sunderland, the individual in the Housing Corporation assigned to assist this committee, was unable to explain how commitments were arrived at. (See p. 305, this tr.) The impression evidently created by Mr. Fenner on the testimony regarding commitments would be as follows:

Mr. Fenner would state, for instance, with reference to Bath, Me. (see p. 151, H. tr.):

> The percentage of executed work is 68 per cent; the percentage of completion, including materials purchased and other commitments, is 83 per cent.

The committee does not know whether commitments included contracts let, materials ordered, materials delivered, materials paid for, or all four or any two or more of these items combined.

Mr. Fenner did not seem to know.

For instance, on page 153, House transcript, with reference to Erie, Pa., Mr. Fenner testified:

> The percentage of completion executed is 35 per cent; the percentage of completion, including materials purchased and other commitments, is 65 per cent.

The House committee was evidently given the impression that this project was 65 per cent completed, but 30 per cent of this completion is unexplained and meaningless.

Mr. Alvord, the gentleman responsible for the loan to the Springfield Consolidated Water Co., discussed under point 15, testified concerning this loan, to the Senate committee in December, 1918 (see pp. 156, 157, Sen. tr.), in response to a question by Senator Lenroot, that the bonds to be received by the Housing Corporation as security for this loan were a part of the bonds already described as outstanding, and that additional bonds would not be issued. This was untrue. With the knowledge Mr. Alvord had of this proposition, or should have had, he should have known that it was untrue.

Mr. Sherman, the present president of the Housing Corporation, and Mr. Lewis, who was manager of the Construction Division in June, 1919, jointly succeeded in conveying a serious piece of misinformation to the House Committee on Rules, at its hearing on June 19, 1919, on House resolution 49, appearing on pages 13 and 14 of the report of those hearings.

The committee was evidently criticising for continuing the Crane tract at Bridgeport, Conn., after the armistice, and Mr. Sherman was asked if all of the Bridgeport developments had been undertaken since the armistice. The following questions and answers appear:

> The CHAIRMAN. All undertaken since the armistice was signed?
>
> Mr. SHERMAN. No, sir; only this one little development known as the Crane tract; that is the only one in all our housing operations.
>
> Mr. POU. How much has been expended on that particular one, which was undertaken since the signing of the armistice?
>
> Mr. SHERMAN. I will ask the chief of construction to answer that question.
>
> Mr. LEWIS. Perhaps $300,000.
>
> Mr. RODENBERG. That is the amount that has been expended, but how much have you obligated the Government for on that additional enterprise? Is the total amount $300,000?
>
> Mr. LEWIS. The obligations for the Crane tract, as I remember it, were about $300,000.

There was no project at Bridgeport less than $588,000. The Crane tract was next to the largest of the Bridgeport projects and cost $1,373,000. At the time Mr. Sherman and Mr. Lewis were testifying, this work was nearing completion. There was no excuse for any well-informed officials to make such a gross misstatement. The evident meaning of these words permit of no quibbling. The evident impression which they desired to convey to the House committee was that the Crane tract was a "little development"; that it involved an expenditure of only $300,000, and this impression was false.

A very meaningless statement, but which was evidently intended to convey an impression, appears in a table, part 2, page 114, of the report of December 3, 1918. A table appears there showing the houses requisitioned from the owners and leased by the Housing Corporation to other people, who in turn agreed to house war workers. There is a column headed "Cost of rent per person per month," in which there appears such items as $3.95, $3.25, $3.64, and $4.63. The impression a reader would get from this column would be that

that was the cost paid by the war workers for rent, and yet it is merely the monthly rent divided by the number of possible occupants of the house. The Housing Corporation did not rent directly to war workers. The war workers rented from the lessees of the Housing Corporation, and the war workers paid any where from $12.50 to $20 per person per month. (See pp. 1–20, this tr.)

Either Mr. Sherman or Mr. Eidlitz is guilty of a serious misrepresentation.

Mr. Eidlitz submitted to the Senate Committee on Public Buildings and Grounds (see pp. 20–22, hearing of December, 1918), a statement of the amounts of all contracts let. These contracts totaled $63,491,146.65. This committee requested Mr. Sherman to give a statement of all contracts let; this statement being desired for another purpose, viz, to get an idea of the different kinds of contracts used. Mr. Sherman submitted a statement (see pp. 162–163, this tr.), purporting to be a statement of all of the contracts let, which totals $51,708,140.36. One of these statements might be as far incorrect as $12,000,000. We do not know if Mr. Sherman excluded contracts from this statement. We do not know if Mr. Eidlitz stated that contracts had been let when they had not. The discrepancy was noted only after the close of the hearings. The truth doubtless lies somewhere between the two statements, as it is practically impossible to reconcile different figures submitted by the Housing Corporation.

Mr. Manson, former member of the Legal Division of the Housing Corporation, and personal counsel appearing on behalf of Mr. Eidlitz, before this committee, attempted to give the committee a misstatement of fact on which he was either not informed at all, or if informed, knew the truth was otherwise, when he made the same assertion about the bonds of the Springfield Consolidated Water Co. as had Mr. Alvord. (See p. 536, this tr.)

The Construction Division, in the report of May 19, 1919, page 144, threw a wholly gratuitous criticism at the contractors to explain why the costs always exceeded the estimates:

> It will be noted that in every instance the actual cost exceeded the contractor's estimate of cost. But the major portion of excess costs are probably chargeable to the extraordinary labor and material conditions caused by the war and not fully comprehended by the contractors at the time they made their estimates.

If they had been entirely honest with the public and with the officials to whom the report was addressed they would have stated also that the Housing Corporation had made their own estimates; that their estimates were usually lower than the estimates of the contractors and hence wider of the mark.

XVIII.

AN UNHELPFUL ATTITUDE.

At the outset of the investigation, the committee, its counsel, and assistants, were shown every courtesy, and a sentiment of willingness to help was everywhere apparent.

It may be that the Housing Corporation officials anticipated a purely proforma investigation. It may be that they resented the failure of the committee to accept at their face value all statements made. Whatever the cause, as the investigation proceeded, it soon

became obvious that the Housing Corporation officials were not entirely frank.

The culmination of this attitude occurred when the individual who had been specially designated to answer the communications of the committee unbosomed himself and expressed his own opinion and perhaps the opinion of other officials, his free discussion disclosing the effort being made to prevent the committee's investigators opening up "new leads." (See p. 267, this tr.)

Finally the position was taken by the president of the Housing Corporation that the counsel and his assistants could not interview department heads or subofficials of the Housing Corporation without his consent. They had been instructed not to talk without the consent of the president. (See p. 258, this tr.) This consent, we apprehend, would have been contingent upon the president ascertaining not only what information was wanted but why it was wanted.

We have put this evidence into the record first as an indication of the obstacles under which the committee conducted its investigation, and second for whatever evidentiary value it may have as to the correctness of our other conclusions as to motives and methods. We hope the Senators will read the testimony on this point. (See pp. 257–269, this tr.)

XIX.

CONDITION OF FISCAL RECORDS.

The committee had read the "history and organization of the fiscal division," described in the Housing Corporation report of December 3, 1918 (see p. 103), and quite naturally received the impression that accurate statements of the fiscal division of the corporation could be had as promptly as is customary under corporate management. On August 20, 1919, the latest avaliable balance sheet of the corporation was that of June 30, 1919. The balance sheet of July 31 was not furnished until September 8, 1919. On October 7 we were furnished with the balance sheet of August 31, which is the latest balance sheet with which the committee has been favored.

The attention of the committee's auditors was directed to a series of accounts as shown on those balance sheets, among them being tabulations:

Advances to be accounted for, Exhibit C	$353,949.26
Advances recoverable, Exhibit D	22,683.90
Construction project, Exhibit F	48,859,076.15
Departmental overhead, Exhibit G	1,388,257.71

The above accounts appeared as assets or debits on the statement of July 31. Knowing that the Housing Corporation had sold a considerable amount of construction materials, the committee was interested in ascertaining why there were no "Accounts receivable."

Accounts receivable, so it was discovered, appeared on the statement of July 31, as a liability in the amount of $398,862.84. The appearance of a debit account on the credit side of the balance sheet was the occasion of a detailed examination and the finding of the auditors was as follows:

The actual accounts receivable amounted to an asset of $257,437.75, but by reason of incorrect application of cash payments on account

of purchases of materials without any corresponding charges for materials delivered, this asset was entirely absorbed and in lieu thereof the balance sheet showed a corporation liability of $398,862.84.

This most unusual preparation of the corporation balance sheet was occasioned by the lack of understanding apparently on the parts of the heads of a number of the departments of the methods employed in bookkeeping practice, and a seeming lack of control on the part of those directly responsible for the carrying out of a system of accounting.

In January, 1919, a large number of remittances for sales of equipment, supplies, and materials began to reach the treasurer of the Housing Corporation. It seems that this department was at a loss to know how to enter these receipts on the books. The dilemma was temporarily solved by piling the checks in a desk drawer. After holding these fast-accumulating remittances for nearly a month, they were finally entered in a specially prepared one-column cash book. The entries consisted only of the name of the maker of the check, the number of the check, and the amount. These entries merely indicated that "John Smith's" check for $5,000 had been received, but it would give no information as to whether it was in payment of an outstanding account of "John Smith," whether it was in payment of an account of "William Green," or whether it was a payment in advance as earnest money on account of John Smith, or some other person.

The result of this sudden entry of all of these checks was the overwhelming of the bookkeeping department with the opening of new accounts, the new account being opened in the name of the maker of each of the checks, in which account the maker was credited with the amount of the check. On September 15, 1919, credits amounting to $656,300.59 were still being carried on the books of the corporation with no debits or charges to offset them having been made. To give a specific instance:

The account of the Housing Corporation with Albert Pick & Co., of Chicago, Ill., gave a credit balance to Albert Pick & Co., of $130,049.62, yet this concern had purchased supplies from the Housing Corporation aggregating this amount, practically all of which had been delivered. After some inquiry the investigators for the committee located an employee of the Housing Corporation who had bills of sales in his desk for deliveries to Albert Pick & Co. in sums practically balancing the account. The dates on these bills indicated that they were an accumulation of more than nine months. The head of the bookkeeping department was surprised to learn of the existence of these bills. He had previously told the investigators that the Sales Department was at fault. This condition was pointed out to the comptroller and he likewise had been of the opinion that the Sales Department was at fault. The committee has detailed this one exhibit, yet an analysis of the several exhibits, A, B, C, and D, mentioned above, proves not only inefficiency in method but a total lack of supervision by the men employed to supervise.

With reference to the item, "Advances to be accounted for, Exhibit C," shown in the amount of $353,949.26, we are informed that there is likely to be returned to the corporation treasury only $14,609.20. In other words, the information as to the accounting for these advances has been received in the office of the Housing Corporation,

but has never been reflected on the books. This account should not show "Advances to be accounted for," but the expenditures already made should long ago have been entered up and allocated to their proper divisions.

With reference to allocations, the committee finds an item as part of the balance sheet of July 31, 1919, as follows: Construction projects, $48,859,076.15.

We find that in this item of construction projects, the corporation carries $254,716.90 of Pacific coast office expenses, and $288,768.31 of Hampton Roads office expenses. These items as well as all other departmental expenses should have been shown separately on the books of the corporation, thereby giving the public a better idea of the overhead expenses of conducting the enterprise.

The committee has been informally told that the item of $639,385.32, called "Engineering fees and expenses," as shown on the balance sheet of August 31, 1919, and concerning which we have commented under Point XVIII, contains some $60,000 of fees paid to contractors, which are not engineering fees at all. We can only say that we do not doubt it. We have also found that the fees and expenses of real estate negotiators, who negotiated at $50 per day, is not found in the "Cost of real estate" column, or in "Office salaries of the Real Estate Division," but is found in "Field payments of construction projects."

Such allocations may well reflect some shining glory to the economy of the Real Estate Division, or deflect some shadows from the top-heavy overhead expenses, but they are not at all enlightening to Congress or to the public, which must pay the score.

XX.

IMMENSITY OF PROGRAM.

The Housing Corporation officials apparently gave no heed to the enacting clause of May 16, 1918, which recited "the President, for the purpose of providing industrial housing, * * * is hereby authorized and empowered within the limits of the amount herein authorized."

On page 392, volume 2, of Housing Corporation report of June 21, 1919, there appears three columns of Table No. 1. Under the heading "Housing needs," we find a column called "Construction recommended by investigators," which recommendations provide apparently for 24,539 families and 32,651 single workers. Of course this was only a recommendation. In a parallel column, however, we find "Housing program proposed, November 4, 1918," in which the number of families to be provided for is 24,970 (larger than the number recommended), and the single workers provided for 23,997. We would not conclude from this that definite plans had been made for such a vast program, did not a footnote with reference to the number of families say "includes 3,965 families on sites that have not been planned." Naturally then sites had been planned for the remainder, or 21,005 families.

This is just three times the number provided for under the revised program of April 18, 1918.

The number of single workers were also three times the number provided under the final program of April 18, 1918.

Now, the construction cost as actually incurred for the program of April 18, 1918, was $50,000,000, but we are told that the cost of a program involving housing three times as many people would not have been three times $50,000,000. (See p. 310–311, this tr.). However, if we take the average cost per family on the projects that have been appraised and take the figures of the cost as computed by Mr. McCullough of the Housing Corporation, we find the average to be $5,673.78. (See p. 592–596, this tr.). To accomodate 21,005 alone would have cost $119,177,748.90. To accommodate 11,132 single women at the figure of $1,542.50, the cost as expended on the Washington women's hotels (see p. 373, this tr.), would have cost $17,171,110. To accommodate 12,865 single men at a cost of $685.95, which is the cost as expended on the navy yard barracks at Washington, D.C. (see pp. 370–372, this tr.), would have amounted to $8,824,746.75, making in all a contemplated expenditure of $145,173,605.65.

The charge that the Housing Corporation had actually planned and incurred expenses in so planning, vastly beyond the limits of the appropriation act, has been amply sustained.

XXI.

NEGOTIATORS AT $50 PER DAY.

We have mentioned the point not so much because the committee feels that the compensation was excessive as based upon the work accomplished but because the Real Estate Department has lauded its negotiators as "patriotic." (See pp. 84, 85 this tr.)

Many persons make and truly earn $50 a day. Nevertheless, this sum is of such substantial proportions that a person who drops his ordinary avocation for a few days only and works for the Government at $50 per day is not entitled in the absence of other evidence to be called "patriotic" or the department which secured his services efficient.

When the committee asked for a statement of the amount paid the negotiators, together with the number of days worked, the statement presented gave another illustration of inaccuracies discussed under point XVII. (See table, p. 694 this tr.)

The column called "Amount of property acquired," against which a percentage was computed of 0.63 per cent, contained all property "negotiated for." Property of the Housing Corporation actually acquired and paid for is $3,697,392.61. (See table, p. 677 this tr.)

Not only did the column on the Brigham exhibit contain properties never contracted for but this column included also $1,157,709.36 of property negotiated for by members of the office staff of the real estate division whose compensation appears on the office pay roll, but in making the percentage computation Mr. Brigham computed that at nothing. A careful examination of the table will show that the realtors were paid $29,825 for 596½ days' work. There were one or two gentlemen who contributed their services for nothing, being Messrs. Garland, Thorpe, and for a period Mr. Macomber, and these gentlemen are entitled to full credit for this service.

XXII.

From the foregoing condemnation and indictment of the United States Housing Corporation it would appear that the committee had found no mitigating features in its accomplishments. This is not entirely true.

We find in the Housing Corporation a large number of earnest young men and women seriously anxious to do what they could in the emergency and working for compensations not exceeding their usual earning capacity.

We find that the Homes Registration Division in securing cooperation from the various localities, by which bureaus were opened in many congested cities for the listing of applicants for homes and of the existing vacant homes, accomplished a vast amount of creditable work. Naturally in a housing shortage it is necessary that it be made certain that all available houses are occupied. Each community must have its housing filled to the point of saturation. The work of the Homes Registration Division was very inexpensive. In a large number of cases they induced the local chamber of commerce, or the Boy Scouts, or the Y. M. C. A., or other similar organizations to furnish the workers, while the Homes Registration Division furnished the directions and established the system. But for their efforts many a homeless war worker would have been forced to leave congested communities where his labor was really imperatively needed.

The efforts of the Housing Corporation to prevent rent profiteering by the establishing of committees in each community to try profiteering landlords in the light of public opinion was also a unique and efficient method of checking this evil.

This method of connecting the congested industrial communities with the unfilled residence communities by transportation was also commendable. In a large number of cases the town or community adjacent to a war center would be half deserted. Instead of building houses in the war center the adjacent community would be connected by establishing ferry service, additional train schedules, or otherwise, so that the workers could live in one place and reach their occupations in the other. This solved many a perplexing problem.

Complaint of the rentals has been made by tenants of the Housing Corporation in three communities.

Strangely enough in each of these three cases the tenants are Government navy-yard employees. The committee has heard no complaint of rentals where the occupants of the houses are industrial workers of the civilian population. We find that in the main the rentals have been reasonable.

The rentals were fixed with very little attention to the cost of the houses, which was proper. In the matter of renting, i. e., in furnishing accommodations to war workers, the Government should not have attempted and did not to pass on to the tenants, in the form of increased rentals, its own mistake of extravagant building.

At Vallejo, Calif., the rental controversy is largely due to a lack of frankness and openness in the attitude of the Housing Corporation officials.

It is only fair where a committee feels, as does this one, that in exercising its major functions and in expenditure of the largest

amount of its appropriation poor judgment or none at all has been used, to point out those matters of which the committee approves.

RECOMMENDATIONS.

The committee feels it would fall far short of its duty to Congress did it not specifically recommend steps to be taken either to correct some of the abuses described, or to recover for the Government the sums of money found to be due.

1. With reference to Point VIII the committee recommends that the architects employed be called upon to give the committee an exact statement of the amount of their overhead expenditures as compared with the sum received to cover this expenditure. The architects were in no sense a party to any intentional violation of law. The committee believes they will readily respond to a request for this information and that if actuated by the patriotic principles attributed to them they will refund the sums paid them in excess of the exact cost of overhead, this sum being the amount by which the contract violates the spirit and letter of the appropriating act. In the event the Government is not satisfied with the statement of the architect or in the event the architect refuses to give a statement, we recommend that suit be brought against the architect for the full amount paid him for overhead, against which he may, of course, offset his actual expenditures as shall be proven in court. The Government should recover at least $50,000.

2. In the matter of profits by G. A. Fuller & Co., discussed under Point XI, we feel the demand should be made upon this company for this profit in the amount of $16,028.20, and in the event of failure to repay, civil suit should be brought.

3. With respect to construction "extras," discussed under Point XII, we believe that all extras should be computed by experts from the department of the Supervising Architect of the Treasury not only from the plans and specifications but from the completed work itself, where necessary, and sums allowed in excess of the correct amount should be recovered from the subcontractors, and the excess fees from the general contractors, by civil suit, if necessary.

4. With reference to the loan to the Springfield Consolidated Water Co., this company should be called upon immediately to reduce their loan by the amount of the sums applied to the payment of old accounts, rather than to extension of their equipment. The committee believes, also, that all other loans to railroads, street railways, and other utility companies should be carefully scrutinized by the proper official of the Treasury Department, and where the security which the Government has received for these loans is not adequate, additional security should be immediately demanded, or, in lieu, an immediate reduction in the amount of the loan.

5. With reference to nonexpendable property discussed under Point XVI, auditors of the Treasury Department should make an audit from the original vouchers of the total amount of property purchased which has been previously defined in Government accounting as nonexpendable. All of this property should then be accounted for by the Housing Corporation either by sales receipts or by the presence of the property itself. For failure to account, the individuals accountable should be held liable at civil suit. In the event no

individual can be held liable, by reason of failure to require proper receipts or accountability, the directors of the Housing Corporation should be held personally liable to the Government for the very gross negligence in this respect.

6. With reference to the material misstatements discussed under Point XVII, the committee may only express a hope, and that is that widespread publicity be given in order to forever curb this tendency, which we have found not only in this report but cropping out at various times in other departmental documents, and also to forever check lack of care and veracity in testimony before official committees.

7. In general, we feel that the existence of the Housing Corporation is no longer essential to the best interests of the Government. We believe that what affairs remaining to be handled—sale of real estate, collections of loans—can better be handled by one or more other departments now existing than by this new agency, the Housing Corporation, and at a distinct saving in salaries to the Government.

To meet this situation and the others above, we will introduce in the next few days proper and pointed legislation.

Respectfully submitted.

BERT M. FERNALD,
HENRY F. ASHURST,
SELDEN P. SPENCER,
JOSEPH I. FRANCE,
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